

SBA Veterans Assistance Programs: An Analysis of Contemporary Issues

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Summary

Several federal agencies, including the Small Business Administration (SBA), provide training and other assistance to veterans seeking civilian employment. For example, the Department of Defense (DOD), in cooperation with the SBA, Department of Labor, Department of Veterans Affairs, and several other federal agencies, operates the Transition Goals Plans Success program (Transition GPS), which provides employment information and entrepreneurship training to exiting military servicemembers to assist them in transitioning from the military to the civilian labor force.

In recent years, the unemployment rate among veterans as a whole has generally been similar to or lower than the unemployment rate for nonveterans 18 years and older. However, veterans who have left the military since September 2001 have experienced higher unemployment than other veterans and, in some years, higher unemployment than nonveterans. As a result, Congress has focused much of its attention on finding ways to assist veterans who have left the military since September 2001.

The SBA provides management and technical assistance services to more than 100,000 veterans each year through its various management and technical assistance training partners (e.g., Small Business Development Centers, Women's Business Centers [WBCs], SCORE [formerly the Service Corps of Retired Executives], and Veterans Business Outreach Centers [VBOCs]). The SBA's Office of Veterans Business Development (OVBD) also administers several programs to assist veterans, including the Operation Boots to Business: From Service to Startup initiative, which is part of DOD's Transition GPS program.

The expansion of federal employment training programs targeted at specific populations, such as women and veterans, has led some Members and organizations to ask if these programs should be consolidated. In their view, eliminating program duplication among federal business assistance programs across federal agencies, and within the SBA, would result in lower costs and improved services. Others argue that keeping these business assistance programs separate enables them to offer services that match the unique needs of various underserved populations, such as veterans. In their view, instead of considering program consolidation as a policy option, the focus should be on improving communication and cooperation among the federal agencies providing assistance to entrepreneurs.

This report opens with an examination of the economic circumstances of veteran-owned businesses. It then provides a brief overview of veterans' employment experiences, comparing unemployment and labor force participation rates for veterans, veterans who have left the military since September 2001, and nonveterans. The report also describes employment assistance programs offered by several federal agencies to assist veterans in their transition from the military to the civilian labor force and examines, in greater detail, the SBA's veteran business development programs, the SBA's efforts to assist veterans' access to capital, and the SBA's service-disabled veteran-owned contracting program. It also discusses the SBA's Military Reservist Economic Injury Disaster Loan program and P.L. 114-38, the Veterans Entrepreneurship Act of 2015, which authorized and made permanent, under specified circumstances, the SBA's recent practice of waiving the SBAExpress loan program's one time, up-front loan guarantee fee for veterans (and their spouses).

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SBA Assistance for Veterans

The Small Business Administration (SBA) administers several programs to support small business owners and prospective entrepreneurs. For example, it provides management and technical assistance training programs to assist with business formation and expansion; loan guaranty programs to enhance small business owners' access to capital; and programs to increase small business opportunities in federal contracting, including oversight of the service-disabled veteran-owned small business federal procurement goaling program.¹ The SBA also provides direct loans for owners of businesses of all sizes, homeowners, and renters to assist their recovery from natural disasters.

P.L. 93-237, to amend the Small Business Act (1974), required the SBA to provide special consideration to veterans in all of its programs. To meet this mandate, the SBA created the Office of Veterans Business Development (OVBD) to administer programs specifically designed to assist veteran-owned small businesses.²

As will be discussed, the OVBD currently administers 22 Veteran Business Outreach Centers (VBOCs), the Boots to Business and Boots to Business: Reboot initiatives, the Service-Disabled Veteran Entrepreneurship Training Program (SDVETP), the Entrepreneurship Bootcamp for Veterans with Disabilities (EBV) program, the Veteran Federal Procurement Entrepreneurship Training Program (VFPETP), and the Women Veteran Entrepreneurship Training Program (WVETP).³ These programs are available to active duty, National Guard, and Reserve servicemembers and veteran or military spouses.⁴

In addition, the SBA's management and technical assistance training resource partners (e.g., Small Business Development Centers, Women's Business Centers, and SCORE [formerly the Service Corps of Retired Executives]) provide free training to small business owners and

¹ For further information and analysis concerning the Small Business Administration's (SBA's) entrepreneurial education programs, see CRS Report R41352, *Small Business Management and Technical Assistance Training Programs*, by Robert Jay Dilger. For further information and analysis concerning the SBA's access to capital programs, see CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*, by Robert Jay Dilger, and CRS Report R41184, *Small Business Administration 504/CDC Loan Guaranty Program*, by Robert Jay Dilger.

² Initially, the SBA's Office of Field Services was assigned the responsibility to ensure the SBA met this statutory requirement. In 1982, the SBA's Office of Veterans Business Enterprise was created within the Office of the Chief Counsel for Advocacy to address veteran needs. Soon thereafter, the office was shifted to the Office of the Associate Deputy Director for Special Programs and renamed the Office of Veterans Affairs. In 1985, the Office of Veterans Affairs was relocated to the SBA's Office of Business Development. During the remainder of the 1980s and 1990s, the SBA regularly offered management and training conferences, seminars, workshops, and other meetings for veterans, primarily through Veteran Affairs Officers (VAOs) located in its regional and district offices and through annual agreements with SBA resource partners, including SCORE (formerly the Service Corps of Retired Executives) and Small Business Development Centers. P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, directed the SBA to establish the Office of Veterans Business Development (OVBD) to be administered by an Associate Administration that reports directly to the SBA Administrator. The OVBD was established on January 12, 2001, replacing the SBA's Office of Veterans Affairs. See U.S. Congress, House Committee on Veterans' Affairs, Subcommittee on Education, Training and Employment, *Oversight on the Small Business Loan Program for Veterans*, hearing, 98th Cong., 1st sess., March 23, 1983, Serial No. 98-6 (Washington: GPO, 1983), pp. 7, 37-39, 103, 122; U.S. Congress, Senate Committee on Small Business, *Activities of the Small Business Administration's Office of Veterans Affairs*, hearing, 99th Cong., 1st sess., November 13, 1985, S. Hrg. 99-388 (Washington: GPO, 1986), pp. 22-47, 200, 340-363; and SBA, "FY2002 Budget Request and Performance Plan," pp. 67, 69, no longer available online.

³ SBA, "FY2022 Congressional Justification and FY2020 Annual Performance Report," pp. 13, 90-94, at <https://www.sba.gov/document/report-congressional-budget-justification-annual-performance-report> (hereinafter SBA, "FY2022 Congressional Justification and FY2020 Annual Performance Report").

⁴ SBA, "FY2022 Congressional Justification and FY2020 Annual Performance Report," p. 90.

prospective entrepreneurs, including veterans. Overall, the SBA provides management and technical assistance training to over 100,000 veterans annually.⁵

Also, as will be discussed, the SBAExpress loan program waives fees for veterans as a means to enhance veterans' access to capital. The SBA's Military Reservist Economic Injury Disaster Loan (MREIDL) program is also of interest to veterans; it provides direct loans of up to \$2 million to small business owners who are not able to obtain credit elsewhere to meet ordinary and necessary operating expenses that they could have met but are not able to meet because an essential employee (including the owner) has been called up to active duty in his or her role as a military reservist or member of the National Guard due to a period of military conflict.⁶

This report opens with an examination of veteran-owned businesses' economic circumstances, comparing unemployment and labor force participation rates for veterans, veterans who have left the military since September 2001, and nonveterans. The report also describes employment assistance programs offered by several federal agencies to assist veterans transitioning from the military to the civilian labor force and examines, in greater detail, the SBA's veteran business development programs, the SBA's efforts to enhance veterans' access to capital, and the SBA's service-disabled veteran-owned contracting program.

An Economic Profile of Veteran-Owned Businesses

The Annual Business Survey (ABS) is conducted jointly by the U.S. Census Bureau and the National Center for Science and Engineering Statistics within the National Science Foundation. The ABS provides information on selected economic and demographic characteristics for nonfarm employer businesses and business owners by gender, ethnicity, race, and veteran status.⁷ ABS data concerning veteran-owned businesses are provided below.

In addition, the Census Bureau's annual Nonemployer Statistics by Demographic (NES-D) data series uses existing administrative and census records to assign demographic characteristics, including veteran status, to the approximately 25.3 million nonemployer businesses in the United States. About 1.42 million nonemployer businesses in the United States are owned by veterans.⁸

⁵ SBA, "FY2020 Congressional Budget Justification and FY2018 Annual Performance Report," pp. 95-100, at https://www.sba.gov/sites/default/files/2019-04/SBA%20FY%202020%20Congressional%20Justification_final%20508%20%204%2023%202019.pdf.

⁶ SBA, "Disaster Assistance Program: SOP 50-30-9," May 31, 2018, p. 69, at <https://www.sba.gov/document/sop-50-30-9-disaster-assistance-program-posted-05-31>; and 13 C.F.R. §123.508. For further information and analysis concerning the SBA's disaster assistance loan program, see CRS Report R41309, *The SBA Disaster Loan Program: Overview and Possible Issues for Congress*, by Bruce R. Lindsay.

⁷ U.S. Bureau of the Census, "Annual Business Survey (ABS): About," at <https://www.census.gov/programs-surveys/abs/about.html>. The ABS collected data electronically from approximately 850,000 employer businesses in 2017, and approximately 300,000 employer businesses annually in years 2018-2021. Businesses selected for the survey receive an initial letter informing them of their requirement to complete the survey. The sample is stratified by state, frame, and industry and is systematically sampled within each stratum. It used a standard type of estimation for stratified systematic sampling.

⁸ In 2017 (the latest available data), veteran-owned nonemployer businesses in the United States accounted for about 5.6% of all nonemployer businesses (1.42 million of 25.31 million). See Bureau of the Census, "Table 1—Statistics for Nonemployer Firms by Industry, Sex, Ethnicity, Race, and Veteran Status for the U.S., States, and Metro Areas: 2017," at https://www2.census.gov/programs-surveys/abs/data/2017/nescd_estimates_2017_Table1.xlsx.

A nonemployer business has "no paid employment or payroll, with annual receipts of \$1,000 or more (\$1 or more in the construction industries), and filing tax forms for sole proprietorships (Form 1040, Schedule C), partnerships (Form 1065), or corporations (the Form 1120 series). The vast majority of nonemployer businesses are sole proprietors." See

Demographics

The ABS estimates that in 2018 about 5.9% (337,934 of 5,722,142) of nonfarm employer businesses in the United States were owned by veterans.⁹ Of these businesses

- 95.6% were male-owned, 3.3% were female-owned, and 1.1% were owned equally by a male and a female.

Veteran-owned nonfarm employer businesses were more likely than other nonfarm employer businesses in 2018 to be owned by a male. The comparable national figures for 2018 are 63.5% were owned by a male (compared to 95.6% for veterans), 20.8% were owned by a female (compared to 3.3% for veterans), and 15.7% were owned equally by a male and a female (compared to 1.1% for veterans).¹⁰

- 10.1% were minority-owned, 0.3% were equally nonminority-owned and minority-owned, and 89.6% were nonminority-owned.

Veteran-owned nonfarm employer businesses were more likely than other nonfarm employer businesses to be nonminority-owned in 2018. The comparable national figures for 2018 are 19.1% were minority-owned (compared to 10.1% for veterans), 1.5% were equally nonminority-owned and minority-owned (compared to 0.3% for veterans), and 79.4% were nonminority-owned (compared to 89.6% for veterans).¹¹

In addition, in 2018, 99.8% (337,387) of veteran-owned nonfarm employer businesses had fewer than 500 employees and 0.2% (547) had at least 500 employees. This ratio is similar to comparable national figures for 2018, according to which 99.6% (5,701,995) of nonfarm employer businesses had fewer than 500 employees and 0.4% (20,149) had at least 500 employees.¹²

Employment, Payroll, and Sales/Receipts

The ABS estimates that in 2018, veteran-owned nonfarm employer businesses

- employed nearly 3.9 million persons (about 3.0% of total U.S. employment from nonfarm employer businesses);

U.S. Census Bureau, Adela Luque, Michaela Dillion, Julia Manzella, James Noon, Kevin Rinz, and Victoria Udalova, “Nonemployer Statistics by Demographics (NES-D): Exploring Longitudinal Consistency and Sub-national Estimates,” December 2019, pp. 5, 6, at <https://www.census.gov/library/working-papers/2019/adrm/ces-wp-19-34.html> (hereinafter Adela Luque et al., NES-D).

⁹ U.S. Bureau of the Census, “Annual Business Survey: Statistics for Employer Firms by Industry, Sex, Ethnicity, Race and Veteran Status,” at <https://data.census.gov/cedsci/table?tid=ABSCS2018.AB1800CSA01&hidePreview=true> (hereinafter Bureau of the Census, “Annual Business Survey: Statistics for Employer Firms by Industry, Sex, Ethnicity, Race and Veteran”).

¹⁰ Bureau of the Census, “Annual Business Survey: Statistics for Employer Firms by Industry, Sex, Ethnicity, Race and Veteran.”

¹¹ Bureau of the Census, “Annual Business Survey: Statistics for Employer Firms by Industry, Sex, Ethnicity, Race and Veteran.”

¹² Bureau of the Census, “Annual Business Survey: Employment Size of Firm Statistics for Employer Firms by Sector, Sex, Ethnicity, Race, and Veteran Status for the U.S., States and Metro Areas: 2018,” at <https://data.census.gov/cedsci/table?tid=ABSCS2018.AB1800CSA04&hidePreview=true>.

- had a total payroll of \$177.7 billion (about 2.6% of total U.S. payroll from nonfarm employer businesses); and
- generated more than \$947.7 billion in total sales/receipts (about 2.5% of total U.S. receipts from nonfarm employer businesses).¹³

Veterans' Employment Data

The Department of Labor's Bureau of Labor Statistics (BLS) provides monthly updates of the employment status of the nation's veterans. The BLS reports that as of June 2021, there were about 18.8 million veterans.¹⁴ There were over 9.1 million veterans in the civilian labor force (i.e., they were either employed or unemployed and available for work, except for temporary illness, and had made specific efforts to find employment sometime during the four-week period ending with the reference week). Of those veterans in the civilian labor force, 8.72 million were employed and about 437,000 were unemployed.¹⁵

In recent years, the unemployment rate among veterans as a whole has generally been lower than the unemployment rate for nonveterans 18 years and older. However, veterans who have left the military since September 2001 have experienced higher unemployment than other veterans and, in some years, higher than nonveterans as well. In June 2021, the unemployment rate for nonveterans 18 years and older was 6.0%, which was higher than for veterans as a whole (4.8%), veterans who left the military prior to September 2001 (4.5%), and veterans who left the military since September 2001 (5.2%).¹⁶

Veterans who have left the military since September 2001 also have a higher labor force participation rate (78.4%) than other veterans (36.7%) and nonveterans aged 18 and older (64.3%).¹⁷ The higher labor force participation rate for veterans who left the military since September 2001 was not wholly unexpected. They entered the civilian workforce more recently and have had less time to develop a reason (e.g., health issue, family responsibility, discouragement, retirement) to withdraw from the civilian workforce than other veterans and nonveterans aged 18 and older.

The lower labor force participation rate for other veterans was also not wholly unexpected. They entered the civilian workforce earlier and have had more time to develop a reason to withdraw from the civilian workforce than veterans who left the military since September 2001 and nonveterans aged 18 and older.¹⁸

¹³ Bureau of the Census, "Annual Business Survey: Statistics for Employer Firms by Industry, Sex, Ethnicity, Race and Veteran." In 2017, veteran-owned nonemployer businesses generated \$59.3 billion in total sales/receipts (about 5.0% of total U.S. receipts from nonemployer businesses). See Bureau of the Census, "Annual Business Survey: Employment Size of Firm Statistics for Employer Firms by Sector, Sex, Ethnicity, Race, and Veteran Status for the U.S., States and Metro Areas: 2018," at https://www2.census.gov/programs-surveys/abs/data/2017/nescd_estimates_2017_Table1.xlsx.

¹⁴ DOL, Bureau of Labor Statistics, "Table A-5. Employment status of the civilian population 18 years and over by veteran status, period of service, and sex, not seasonally adjusted," at <https://www.bls.gov/news.release/empsit.t05.htm> (hereinafter DOL, Table A-5).

¹⁵ DOL, Table A-5.

¹⁶ DOL, Table A-5.

¹⁷ DOL, Table A-5.

¹⁸ A report by the Council of Economic Advisers and the National Economic Council attributed lower labor force participation for veterans to several factors, including the difficulty many civilian employers have in understanding a military resume and how military job titles translate into civilian job skills, the presence of a service-connected disability, especially among the post-9/11 veteran population, and the number of post-9/11 veterans (about 217,000).

Veterans' Employment and Business Development Programs

Several federal agencies, including the SBA, sponsor employment and business development programs to assist veterans in their transition from the military into the civilian labor force. As discussed, the expansion of federal employment and business development training programs targeted at specific populations, such as women and veterans, has led some Members and organizations to ask if these programs should be consolidated. Others question if the level of communication and coordination among federal agencies administering these programs has been sufficient to ensure the programs are being administered in the most efficient and effective manner.

SBA's Office of Veterans Business Development

In an effort to assist veteran entrepreneurs, the SBA has either provided or supported management and technical assistance training for veteran-owned small businesses since its formation as an agency.¹⁹ As mentioned, the SBA's OVBD, statutorily authorized by P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, serves as the SBA's focal point for veteran assistance programs. The act addressed congressional concerns that the United States generally, and the SBA in particular, was not, at that time, doing enough to meet the needs of veteran entrepreneurs, especially service-disabled veteran entrepreneurs.²⁰ At the time, several Members of Congress argued that "the needs of veterans have been diminished systematically at the SBA," as evidenced by the agency's elimination of direct loans, including direct loans to veterans, in 1995, and a decline in the SBA's "training and counseling for veterans ... from 38,775 total counseling sessions for veterans in 1993 to 29,821 sessions in 1998."²¹ To address these concerns, the act authorized the establishment of the federally chartered National Veterans Business Development Corporation (known as the Veterans Corporation and reconstituted, without a federal charter, in 2012 as Veteranscorp.org).²² Its mission is to

(1) expand the provision of and improve access to technical assistance regarding entrepreneurship for the Nation's veterans; and (2) to assist veterans, including service-disabled veterans, with the formation and expansion of small business concerns by working with and organizing public and private resources, including those of the Small Business Administration, the Department of Veterans Affairs, the Department of Labor, the Department of Commerce, the Department of Defense, the Service Corps of Retired

who have been diagnosed with post-traumatic stress disorder. See Executive Office of the President, Council of Economic Advisers and the National Economic Council, "Military Skills for America's Future: Leveraging Military Service and Experience to Put Veterans and Military Spouses Back to Work," May 31, 2012, pp. 4-6, at https://obamawhitehouse.archives.gov/sites/default/files/docs/veterans_report_5-31-2012.pdf.

¹⁹ U.S. Congress, Senate Committee on Banking and Currency, *Extension of the Small Business Act of 1953*, report to accompany S. 2127, 84th Cong., 1st sess., July 22, 1955, S.Rept. 84-1350 (Washington: GPO, 1955), p. 17.

²⁰ P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Section 101. Findings.

²¹ U.S. Congress, House Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, report to accompany H.R. 1568, 106th Cong., 1st sess., June 29, 1999, H.Rept. 106-206 (Washington: GPO, 1999), pp. 14-15 (hereinafter U.S. Congress, House Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*).

²² Veteranscorp, "About Us," Oxford, MD at <http://www.veteranscorp.org/2012/01/a-new-veteranscorp-org-gets-the-chance-to-help-veteran-entrepreneurs-2/>.

Executives..., the Small Business Development Centers..., and the business development staffs of each department and agency of the United States.²³

P.L. 106-50 reemphasized the SBA's responsibility "to reach out to and include veterans in its programs providing financial and technical assistance."²⁴ It included veterans as a target group for the SBA's 7(a), 504 Certified Development Company (504/CDC), and Microloan lending programs. It also required the SBA to enter into a memorandum of understanding with SCORE to, among other things, establish "a program to coordinate counseling and training regarding entrepreneurship to veterans through the chapters of SCORE throughout the United States."²⁵ In addition, it directed the SBA to enter into a memorandum of understanding with small business development centers, the Department of Veterans Affairs, and the National Veterans Business Development Corporation "with respect to entrepreneurial assistance to veterans, including service-disabled veterans."²⁶ The act specified that the following services were to be provided:

- (1) Conducting of studies and research, and the distribution of information generated by such studies and research, on the formation, management, financing, marketing, and operation of small business concerns by veterans.
- (2) Provision of training and counseling to veterans concerning the formation, management, financing, marketing, and operation of small business concerns.
- (3) Provision of management and technical assistance to the owners and operators of small business concerns regarding international markets, the promotion of exports, and the transfer of technology.
- (4) Provision of assistance and information to veterans regarding procurement opportunities with Federal, State, and local agencies, especially such agencies funded in whole or in part with Federal funds.
- (5) Establishment of an information clearinghouse to collect and distribute information, including by electronic means, on the assistance programs of Federal, State, and local governments, and of the private sector, including information on office locations, key personnel, telephone numbers, mail and electronic addresses, and contracting and subcontracting opportunities.
- (6) Provision of Internet or other distance learning academic instruction for veterans in business subjects, including accounting, marketing, and business fundamentals.
- (7) Compilation of a list of small business concerns owned and controlled by service-disabled veterans that provide products or services that could be procured by the United States and delivery of such list to each department and agency of the United States. Such list shall be delivered in hard copy and electronic form and shall include the name and address of each such small business concern and the products or services that it provides.²⁷

The SBA's OVBD addressed these statutory requirements by promoting "veterans' small business ownership by conducting comprehensive outreach, through program and policy development and implementation, ombudsman support, coordinated agency initiatives, and direct

²³ P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Section 33. National Veterans Business Development Corporation. Also, see 15 U.S.C. §657c.

²⁴ U.S. Congress, House Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, p. 14.

²⁵ P.L. 106-50, Section 301. Score Program.

²⁶ P.L. 106-50, Section 302. Entrepreneurial Assistance.

²⁷ P.L. 106-50, Section 302. Entrepreneurial Assistance.

assistance to veterans, service-disabled veterans, reserve and National Guard members, and discharging active duty service members and their families.”²⁸

OVBD Outreach Funding

As shown in **Table 1**, the SBA’s OVBD’s appropriation for outreach activities generally has increased in recent years. In FY2021, OVBD received an appropriation of \$14 million for outreach activities. The Biden Administration has requested \$19 million for the SBA’s OVBD’s outreach activities in FY2022.²⁹

Table 1. SBA Office of Veteran’s Business Development Veterans Outreach Appropriation, FY2015-FY2022

(\$ in millions)

FY	Appropriation	Actual Expenditures
2022 request	\$19.000	NA
2021	\$14.000	NA
2020	\$14.000	\$14.622
2019	\$12.700	\$12.224
2018	\$12.300	\$12.558
2017	\$12.300	\$12.572
2016	\$12.300	\$12.808
2015	\$10.500	\$10.733

Source: U.S. Small Business Administration (SBA), “FY2016 Congressional Budget Justification and FY2014 Annual Performance Report,” p. 21, at <https://www.sba.gov/sites/default/files/2018-06/Fiscal%20year%202016.zip>; SBA, “FY2017 Congressional Budget Justification and FY2015 Annual Performance Report,” p. 19, at <https://www.sba.gov/sites/default/files/2018-06/Fiscal%20year%202017.zip>; SBA, “FY2018 Congressional Budget Justification and FY2016 Annual Performance Report,” p. 12, at <https://www.sba.gov/sites/default/files/2018-06/Fiscal%20year%202018.zip>; SBA, “FY2019 Congressional Justification and FY2017 Annual Performance Report,” p. 12, at <https://www.sba.gov/sites/default/files/2018-06/Fiscal%20year%202019.zip>; SBA, “FY2020 Congressional Justification and FY2018 Annual Performance Report,” p. 11, at https://www.sba.gov/sites/default/files/2019-04/SBA%20FY%202020%20Congressional%20Justification_final%20508%20%204%2023%202019.pdf; SBA, “FY2021 Congressional Justification and FY2019 Annual Performance Report,” p. 11, at https://www.sba.gov/sites/default/files/2020-02/FY%202021%20CJ-508_FINAL.pdf; and SBA, “FY2022 Congressional Justification and FY2020 Annual Performance Report,” p. 13, at <https://www.sba.gov/document/report-congressional-budget-justification-annual-performance-report>.

OVBD Outreach Programs

As mentioned, the OVBD provides, or supports third parties to provide, management and technical assistance training services to more than 100,000 veterans each year. These services are provided

through funded SBA district office outreach; OVBD-developed and distributed materials; websites; partnering with DOD [Department of Defense], DOL [Department of Labor] and

²⁸ SBA, “FY2013 Congressional Budget Justification and FY2011 Annual Performance Report,” p. 62, at [https://www.sba.gov/sites/default/files/files/FY%202015%20CBJ%20FY%202013%20APR%20FINAL%20508\(1\).pdf](https://www.sba.gov/sites/default/files/files/FY%202015%20CBJ%20FY%202013%20APR%20FINAL%20508(1).pdf).

²⁹ SBA, “FY2022 Congressional Justification and FY2020 Annual Performance Report,” p. 13.

universities; agreements with regional veterans business outreach centers; direct guidance, training and assistance to Agency veteran customers; and through enhancements to intra-agency programs used by the military and veteran communities.³⁰

The SBA's OVBD's outreach programs include

- the Entrepreneurship Bootcamp for Veterans with Disabilities Consortium of Universities, which provides “experiential training in entrepreneurship and small business management to post-9/11 veterans with disabilities” at eight universities;³¹
- the Veteran Women Igniting the Spirit of Entrepreneurship (V-WISE) program, administered through a cooperative agreement with Syracuse University, which offers women veterans a 15-day, online course focused on entrepreneurship skills and the “language of business,” followed by a 3-day conference (offered twice a year at varying locations) in which participants “are exposed to successful entrepreneurs and CEOs of Fortune 500 companies and leaders in government” and participate in courses on business planning, marketing, accounting and finance, operations and production, human resources, and work-life balance;³²
- the Operation Endure and Grow Program, administered through a cooperative agreement with Syracuse University, which offers an eight-week online training program “focused on the fundamentals of launching and/or growing a small business” and is available to National Guard members and reservists and their family members;³³
- the Boots to Business initiative, which is “an elective track within the Department of Defense’s revised Training Assistance Program called Transition Goals, Plans, Success (Transition GPS) and has three parts: the *Entrepreneurship Track Overview*—a 10-minute introductory video shown during the mandatory five-day Transition GPS course, which introduces entrepreneurship as a post-service career option; *Introduction to Entrepreneurship*—a two-day classroom course on entrepreneurship and business fundamentals offered as one of the three Transition GPS elective tracks; and *Foundations of Entrepreneurship*—an eight-week, instructor-led online course that offers in-depth instruction on the elements of a business plan and tips and techniques for starting a business”;³⁴
- the Boots to Business: Reboot initiative, which expanded the Boots to Business initiative in 2014 to include veterans of all eras, active duty servicemembers (including National Guard and Reserves), and their partners/spouses;

³⁰ SBA, “FY2013 Congressional Budget Justification and FY2011 Annual Performance Report,” p. 62, at [https://www.sba.gov/sites/default/files/files/1-508%20Compliant%20FY%202013%20CBJ%20FY%202011%20APR\(1\).pdf](https://www.sba.gov/sites/default/files/files/1-508%20Compliant%20FY%202013%20CBJ%20FY%202011%20APR(1).pdf).

³¹ Syracuse University, “About the EBV,” Syracuse, NY, at <http://whitman.syr.edu/ebv/about/>.

³² Syracuse University, “Women Veterans Igniting the Spirit of Entrepreneurship (V-WISE),” Syracuse, NY, at <http://vwise.vets.syr.edu/vwise>.

³³ Syracuse University, “About Operation Endure and Grow,” Syracuse, NY, at <http://vets.syr.edu/education/endure-grow/>.

³⁴ SBA, “Operation Boots to Business: From Service to Startup,” at <https://www.sba.gov/offices/headquarters/ovbd/resources/160511>; SBA, “Operation Boots to Business: Fact Sheet,” at https://www.sba.gov/sites/default/files/files/B2B_Fact%20Sheet.pdf; and SBA, “SBA Awards Funding to Nonprofit Organizations Providing “Boots to Business” Entrepreneurship Training,” at <https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/sba-awards-funding-nonprofit-organizations-providing-boots-business-entrepreneurship-training>.

- the Veterans Institute for Procurement (VIP) program, which is designed to increase the ability of veteran-owned businesses to win government contracts by providing “an accelerator-like, in-residence educational training program for owners, principals, and executives of veteran-owned businesses, consisting of a three-day comprehensive certification program instructed by professional service experts, government officials, and agency representatives”;³⁵ and
- the VBOC program, which provides veterans and their spouses management and technical assistance training at 22 locations, including assistance with the Boots to Business initiatives, the development and maintenance of a five-year business plan, and referrals to other SBA resource partners when appropriate for additional training or mentoring services.³⁶

The SBA also continues to work closely with the Interagency Task Force for Veterans Small Business Development, which was established by executive order on April 26, 2010, held its first public meeting on October 15, 2010, and issued its first report on November 1, 2011, to identify “gaps in ensuring that transitioning military members who are interested in owning a small business get needed assistance and training.”³⁷ The task force’s second report, issued on November 29, 2012, focused on progress made since the initial report.³⁸ The task force continues to meet on a quarterly basis to foster communication and monitor agency progress in assisting transitioning servicemembers.

VBOCs and the Boots to Business Initiative

The OVBD’s two largest management and technical assistance training programs are the VBOC program and the Boots to Business initiative. As shown in **Table 2**, in FY2020, 46,025 veterans

³⁵ SBA, “FY2018 Congressional Budget Justification and FY2016 Annual Performance Report,” p. 98, at https://www.sba.gov/sites/default/files/aboutsbaarticle/FINAL_SBA_FY_2018_CBJ_May_22_2017c.pdf.

³⁶ SBA, Office of Veterans Business Development, “Veterans Business Outreach Center (VBOC) Program,” at <https://www.sba.gov/page/veterans-business-outreach-center-vboc-program>.

VBOC grants, typically ranging from \$150,000 to \$400,000 annually, may be renewed each year at the SBA’s discretion for an additional four years subject to continuing program authority, the availability of funds, and the recipient’s continued satisfactory performance and compliance with program requirements. See SBA, Office of Veterans Business Development, “Veterans Business Outreach Center Program: FY2018 Funding Opportunity No. VBOC-2018-01,” p. 5, at <https://www.grants.gov/web/grants/search-grants.html?keywords=SB-OWB-21-001>; and SBA, Office of Veterans Business Development, “Veterans Business Outreach Center Program: Initial Phase Grant, Notice of Funding Opportunity: VBOC-2021-01,” pp. 2-5, at <https://www.grantsolutions.gov/gs/preaward/previewPublicAnnouncement.do?id=92281>.

³⁷ SBA, Office of Veterans Business Development, “Interagency Task Force,” at <https://www.sba.gov/offices/headquarters/ovbd/resources/14372>; and The Interagency Task Force on Veterans Small Business Development, “Report to the President: Empowering Veterans Through Entrepreneurship,” November 1, 2011, at <https://www.sba.gov/sites/default/files/FY2012-Final%20Veterans%20TF%20Report%20to%20President.pdf>.

³⁸ The Interagency Task Force on Veterans Small Business Development, “Heroes on the Home Front: Supporting Veteran Success as Small Business Owners,” November 29, 2012, at https://www.sba.gov/sites/default/files/files/Veterans_Report_FINAL.pdf. The Interagency Task Force on Veterans Small Business Development includes senior-level representatives of the SBA, the Departments of Defense, Labor, Treasury, and Veterans Affairs, the General Services Administration, the Office of Management and Budget, and four representatives from veterans’ service or military organizations appointed by the SBA administrator. SBA Acting Associate Administrator Barbara Carson serves as its chair. See Executive Order 13540, “Interagency Task Force on Veterans Small Business Development,” 75 *Federal Register* 22497-22498, April 29, 2010; and U.S. Small Business Administration, “Inter-Agency Task Force on Veterans Small Business Development: Kick Off Meeting Wednesday, September 15, 2010,” at <https://www.sba.gov/offices/headquarters/ovbd/resources/14368>.

received management and technical assistance from a VBOC and 21,799 veterans participated in the Boots to Business initiative.

Table 2. Veterans Business Outreach Centers and Boots to Business Initiative, Number of Clients and Participants, FY2013-FY2020

FY	Number of Veterans Business Outreach Center Clients	Number of Boots to Business Initiative Participants
2020	46,025	21,799
2019	41,860	16,528
2018	51,945	17,167
2017	48,839	17,320
2016	47,342	17,966
2015	62,117	14,457
2014	78,124	14,684
2013	73,062	4,514

Source: SBA, “FY2020 Congressional Justification and FY2018 Annual Performance Report,” p. 96, at https://www.sba.gov/sites/default/files/2019-04/SBA%20FY%202020%20Congressional%20Justification_final%20508%20%204%2023%202019.pdf; SBA, “FY2021 Congressional Justification and FY2019 Annual Performance Report,” pp. 94, 95, at https://www.sba.gov/sites/default/files/2020-02/FY%202021%20CJ-508_FINAL.pdf; and SBA, “FY2022 Congressional Justification and FY2020 Annual Performance Report,” pp. 90, 92, at <https://www.sba.gov/document/report-congressional-budget-justification-annual-performance-report>.

The VBOC program’s origin can be traced to P.L. 105-135, the Small Business Reauthorization Act of 1997, which directed the SBA to “develop and implement a program of comprehensive outreach to assist eligible veterans, which program shall include business training and management assistance, employment and relocation counseling, and dissemination of information on veterans’ benefits and veterans’ entitlements.” The program awarded its first outreach center grants to four organizations in September 1999.³⁹

The Operation Boots to Business: From Service to Startup initiative for transitioning servicemembers started as a partnership between the SBA’s OVBD and Syracuse University in

³⁹ The four organizations were the University of Texas-Pan American, TEP Consulting, Inc., the University of West Florida (Veterans Business Outreach Center, Lynn Haven, Florida), and the Research Foundation of the State University of New York. See U.S. Congress, House Committee on Small Business, *Hearing with Respect to SBA Programs for Veterans and the National Veterans Development Corporation*, hearing, 107th Cong., 1st sess., May 23, 2001, Serial No. 107-10 (Washington: GPO, 2001), p. 38; and SBA, “Award Notice for the Veterans Business Outreach Program Under Program,” 64 *Federal Register* 50547, September 17, 1999.

Prior to the VBOC program, the SBA’s Veterans Entrepreneurial Training (VET) Program, established on a pilot basis in 1986, provided grants to nonprofit organizations (such as SCORE, Veteran Business Resource Councils, and Chambers of Commerce) to make arrangements with community colleges and technological institutes to provide management and technical assistance, typically lasting at least six months, to veterans interested in starting a business. See U.S. Congress, House Committee on Veterans’ Affairs, Subcommittee on Education, Training and Employment, *H.R. 1404-The Veterans Entrepreneurship Promotion Act of 1991*, hearing, 102nd Cong., 1st sess., May 15, 1991, Serial Number 102-14 (Washington: GPO, 1991), pp. 3, 4, 109, 110; and U.S. Congress, House Committee on Small Business, Subcommittee on Government Programs, and House Committee on Veterans’ Affairs, Subcommittee on Education, Training, Employment, and Housing, *SBA Programs to Assist Veterans in Readjusting to Civilian Life*, joint hearing, 104th Cong., 2nd sess., July 31, 1996, Serial Number 104-91 (Washington: GPO, 1996), pp. 11-13, 33-41, 49-56, 94-98.

July 2012. The initiative became fully operational in February 2014.⁴⁰ The program consists of a two-day introductory course on entrepreneurship followed by an eight-week, online course to prepare servicemembers and military spouses “for post-service career success as business owners.”⁴¹

Congress provided the SBA \$7 million in FY2014 and \$7.5 million in FY2015 to expand the Boots to Business initiative “nationwide to the 250,000 yearly transitioning servicemembers in all branches of the military.”⁴² Since then, funding for the initiative has been provided through the appropriation for the OVBD’s outreach activities.

The initiative’s two-day Introduction to Entrepreneurship course is now offered at 213 military institutions worldwide and is “a standard portion of the curricula offered at the revised Transition Assistance Program (TAP) to servicemembers.”⁴³ TAP is administered by the Department of Defense (DOD) in cooperation with the Department of Labor (DOL), Department of Veterans Affairs (VA), Department of Education (DOE), Department of Homeland Security (DHS), Office of Personnel Management (OPM), and SBA.⁴⁴

During the 114th Congress, legislation was introduced and reported favorably by the Senate Committee on Small Business and Entrepreneurship to provide the Boots to Business initiative

⁴⁰ SBA, Office of Inspector General, *The Small Business Administration’s Boots to Business Program*, Report Number 18-20, July 19, 2018, p. 1, at <https://www.sba.gov/document/report-18-20-small-business-administrations-boots-business-program>.

Prior to the Boots to Business Initiative, the SBA had participated in the Department of Defense’s Transitional Assistance Program on a somewhat less formal basis since the 1980s. See U.S. Congress, House Committee on Veterans’ Affairs, Subcommittee on Education, Training and Employment, *H.R. 1404-The Veterans Entrepreneurship Promotion Act of 1991*, hearing, 102nd Cong., 1st sess., May 15, 1991, Serial Number 102-14 (Washington: GPO, 1991), pp. 3, 4, 108-110; and U.S. Congress, House Committee on Small Business, Subcommittee on Government Programs, and House Committee on Veterans’ Affairs, Subcommittee on Education, Training, Employment, and Housing, *SBA Programs to Assist Veterans in Readjusting to Civilian Life*, joint hearing, 104th Cong., 2nd sess., July 31, 1996, Serial Number 104-91 (Washington: GPO, 1996), pp. 11-13, 33-41, 49-56, 94-98.

⁴¹ SBA, “Operation Boots to Business: From Service to Startup,” at <http://www.sba.gov/bootstobusiness>; and Institute for Veterans and Military Families, Syracuse University, “White Paper: Operation Boots to Business Veteran Entrepreneurship Assessment,” June 2016, p. 2, at https://www.sba.gov/sites/default/files/b2b_vet_entrepreneurship_assessment.pdf. The eight-week, online course provides instruction on the “elements of a business plan, evaluating venture ideas, identifying components of business venture strategies and interrelations of marketing, accounting/finance, operations/production, and human resources.” See Institute for Veterans and Military Families, Syracuse University, “White Paper: Operation Boots to Business Veteran Entrepreneurship Assessment,” June 2016, p. 15.

⁴² SBA, “FY2014 Congressional Budget Justification and FY2012 Annual Performance Report,” p. 52, at <https://www.sba.gov/sites/default/files/files/1-508-Compliant-FY-2014-CBJ%20FY%202012%20APR.pdf>. Recommended FY2014 funding levels for the SBA’s noncredit programs are in the Explanatory Statement accompanying the Consolidated Appropriations Act, 2014 (Division E-Financial Services and General Government Appropriations Act, 2014), pp. 37-39, at <http://docs.house.gov/billsthisweek/20140113/113-HR3547-JSOM-D-F.pdf>.

⁴³ Institute for Veterans and Military Families, Syracuse University, “White Paper: Operation Boots to Business Veteran Entrepreneurship Assessment,” June 2016, p. 13, at https://www.sba.gov/sites/default/files/b2b_vet_entrepreneurship_assessment.pdf.

⁴⁴ The Department of Defense introduced a redesigned curriculum for the TAP program, called the Transition Goals Plans Success pilot program (Transition GPS), at seven military bases in summer 2012. Transition GPS is now offered nationwide. It includes a five-day core program intended to ensure servicemembers are “career ready” when they leave military service. The core curriculum includes the following modules: pre-separation counseling (4 hours), Department of Veterans Affairs benefits (6 hours), employment workshop (24 hours), financial planning (4 hours), resilient transition (1 hour), and a crosswalk between military and civilian skills that includes a “skills gap” analysis (2 hours). Transition GPS is mandatory for nearly all exiting servicemembers. See U.S. Department of Defense, “Turbo Tap,” at <http://www.turbotap.org/register.tpp>.

statutory authorization (S. 1866, the Veterans Small Business Ownership Improvements Act of 2015). Similar legislation was introduced during the 115th Congress (S. 121, the Veterans Small Business Ownership Improvements Act, and H.R. 5193, the Veteran Entrepreneurship Training Act of 2018), the 116th Congress (H.R. 3537, the Veteran Entrepreneurship Training Act of 2019), and the 117th Congress (H.R. 3469, to amend the Small Business Act to Codify the Boots to Business Program, and for other purposes).

Congressional Issues: Duplication of Services

The expansion of the SBA's veteran outreach efforts has led some Members and organizations to ask if the nation's veterans might be better served if some of the veteran employment and business development programs offered by federal agencies were consolidated. For example, as mentioned, DOD, in cooperation with several federal agencies, operates the recently revised Transition Assistance Program, Transition GPS, which provides employment information and training to exiting servicemembers to assist them in transitioning from the military into the civilian labor force. In addition, DOL's Jobs for Veterans State Grants program provides states funding for Disabled Veterans' Outreach Program specialists and Local Veterans' Employment Representatives to provide outreach and assistance to veterans, and their spouses, seeking employment.⁴⁵ DOL also administers the Veterans Workforce Investment Program, which provides grants to fund programs operated by eligible state and local government workforce investment boards, state and local government agencies, and private nonprofit organizations to provide various services designed to assist veterans' transitions into the civilian labor force.⁴⁶ The DOL-administered Homeless Veterans Reintegration Program provides grants to fund programs operated by eligible state and local government workforce investment boards, state and local government agencies, and private nonprofit organizations that provide various services designed to assist homeless veterans achieve meaningful employment and to aid in the development of a service delivery system to address problems facing homeless veterans.⁴⁷

Advocates of consolidating veteran employment and business development programs argue that eliminating program duplication among federal agencies would result in lower costs and improved services. For example, H.R. 4072, the Consolidating Veteran Employment Services for Improved Performance Act of 2012, which was introduced during the 112th Congress and ordered to be reported by the House Committee on Veterans' Affairs on April 27, 2012, would have transferred several veteran employment training programs from the DOL to the VA.⁴⁸

In addition, in 2011, 2012, 2013, 2014, and 2015, the House Committee on Small Business, in its "Views and Estimates" letter to the House Committee on the Budget, recommended that funding for the SBA's VBOCs be either eliminated or transferred to the Department of Veterans Affairs because, as it stated in 2012, "the SBA already provides significant assistance to veterans who are seeking to start or already operate small businesses. The VBOCs duplicate services already

⁴⁵ For information on the Disabled Veterans' Outreach Program and Local Veterans' Employment Representatives Program, see DOL, "Jobs for Veterans State Grants," at <http://www.dol.gov/vets/grants/state/jvsg.htm>.

⁴⁶ For further information and analysis of federal programs outside of the SBA that are designed to assist veterans seeking civilian employment, see CRS Report R42790, *Employment for Veterans: Trends and Programs*, coordinated by Benjamin Collins.

⁴⁷ For further information and analysis concerning the Homeless Veterans Reintegration Program, see CRS Report RL34024, *Veterans and Homelessness*, by Libby Perl.

⁴⁸ U.S. House of Representatives, Committee on Veterans' Affairs, "Debunking the Myths: H.R. 4072," at <http://veterans.house.gov/4072>.

available from the SBA, other entrepreneurial development partners and programs available from the Department of Veterans Affairs.”⁴⁹ In 2014, the House Committee on Small Business also recommended that if additional funds were to be provided to VBOCs, those funds should come from the SBA’s Boots to Business initiative.

Advocates of consolidating federal veteran employment and business development programs cite U.S. Government Accountability Office (GAO) reports that have characterized the broader category of federal support for entrepreneurs, including veteran entrepreneurs, as fragmented and having overlapping missions. For example, in 2012, GAO identified 53 programs within the SBA and the Departments of Commerce, Housing and Urban Development, and Agriculture designed to support entrepreneurs, including 36 programs that provide entrepreneurs technical assistance, such as business training, counseling, and research and development support. GAO found that “the overlap among these programs raise[s] questions about whether a fragmented system is the most effective way to support entrepreneurs” and suggested agencies should “determine whether there are more efficient ways to continue to serve the unique needs of entrepreneurs, including consolidating programs.”⁵⁰

Instead of consolidating programs, some argue that improved communication and cooperation among the federal agencies providing entrepreneur support programs, and among the SBA’s management and technical assistance training resource partners, would enhance program efficiencies while preserving the ability of these programs to offer services that match the unique needs of various underserved populations, such as veterans. For example, during the 111th Congress, the House passed H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, on May 20, 2009, by a vote of 406-15. The Senate did not take action on the bill. In its committee report accompanying the bill, the House Committee on Small Business concluded at that time that

each ED [Entrepreneurial Development] program has a unique mandate and service delivery approach that is customized to its particular clients. However, as a network, the programs have established local connections and resources that benefit entrepreneurs within a region. Enhanced coordination among this network is critical to make the most of scarce resources available for small businesses. It can also ensure that best practices are shared amongst providers that have similar goals but work within different contexts.⁵¹

⁴⁹ U.S. House of Representatives, Committee on Small Business, “Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2012,” March 17, 2011, at http://smallbusiness.house.gov/uploadedfiles/march_17_views_and_estimates_letter.pdf. Also, see U.S. House of Representatives, Committee on Small Business, “Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2013,” March 7, 2012, at http://smallbusiness.house.gov/uploadedfiles/views_and_estimates_fy_2013.pdf; U.S. House of Representatives, Committee on Small Business, “Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2014,” February 27, 2013, at http://smallbusiness.house.gov/uploadedfiles/revised_2014_views_and_estimates_document.pdf; U.S. House of Representatives, Committee on Small Business, “Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2015,” March 25, 2014, at http://smallbusiness.house.gov/uploadedfiles/3-25-2014_revised_budget_views_and_estimates_fy_2015_v2.pdf; and U.S. House of Representatives, Committee on Small Business, “Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2016,” February 12, 2015, at http://smallbusiness.house.gov/uploadedfiles/2-12-2015_views_and_estimates_document.pdf.

⁵⁰ U.S. Government Accountability Office (GAO), *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, GAO-12-342SP, February 28, 2012, p. 55, at <http://www.gao.gov/assets/590/588818.pdf>. Also see GAO, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs’ Collaboration, Data-Tracking, and Performance Management*, GAO-12-819, August 23, 2012, pp. 60-61, at <http://www.gao.gov/assets/650/647267.pdf>.

⁵¹ U.S. Congress, House Committee on Small Business, *Job Creation Through Entrepreneurship Act of 2009*, report to

The bill was designed to enhance oversight and coordination of the SBA's management and technical assistance training programs by requiring the SBA to coordinate these programs "with State and local economic development agencies and other federal agencies as appropriate" and to "report annually to Congress, in consultation with other federal departments and agencies as appropriate, on opportunities to foster coordination, limit duplication, and improve program delivery for federal entrepreneurial development activities."⁵²

In a related development, as mentioned, the Obama Administration formed the Interagency Task Force for Veterans Small Business Development by executive order on April 26, 2010. The SBA's representative chairs the task force, which is composed of senior representatives from seven federal agencies and four representatives from veterans' organizations.⁵³ One of the task force's goals is to improve "collaboration, integration and focus across federal agencies, key programs (e.g., the Transition Assistance Program), veterans' service organizations, states, and academia."⁵⁴

On November 1, 2011, the task force issued 18 recommendations, including recommendations designed to increase and augment federal entrepreneurial training and technical assistance programs offered to veterans. For example, it recommended the development of a "standardized, national entrepreneurship training program specifically for veterans" that "could utilize expert local instructors, including academics and successful small business owners, to provide training in skills used to create and grow entrepreneurial ventures and small business. The national program could provide engaging training modules and workshops dedicated to the basics of launching a business."⁵⁵ The task force also recommended the development of a web portal "that allows veterans to access entrepreneurship resources from across the government."⁵⁶ Since then, the task force has met quarterly and its annual reports document its efforts to address the 18 recommendations.⁵⁷

Veterans' Access to Capital

Conventional wisdom asserts that the experiences and skills veterans gain from military service (such as teamwork, leadership and management skills, work ethic and self-discipline, perseverance, and crisis management) are useful in preparing them to become successful entrepreneurs. However, it has been surmised that veterans may have a difficult time building a sufficient credit score and management history necessary to gain access to capital due to the frequent moves and overseas travel associated with military life. A recent analysis of small

accompany H.R. 2352, 111th Cong., 1st sess., May 15, 2009, H.Rept. 111-112 (Washington: GPO, 2009), pp. 17-18.

⁵² H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, Section 601. Expanding Entrepreneurship.

⁵³ The seven federal agencies are the SBA, U.S. General Services Administration, U.S. Office of Management and Budget, and the Departments of Defense, Labor, Treasury, and Veterans Affairs. The four veterans' organizations are Association of State Directors of Veterans Affairs, Student Veterans of America, the American Legion, and VET - Force.

⁵⁴ Interagency Task Force on Veterans Small Business Development, "Report to the President: Empowering Veterans Through Entrepreneurship," November 1, 2011, p. 6, at <https://www.sba.gov/sites/default/files/FY2012-Final%20Veterans%20TF%20Report%20to%20President.pdf> (hereinafter Interagency Task Force on Veterans Small Business Development, "Report to the President").

⁵⁵ Interagency Task Force on Veterans Small Business Development, "Report to the President," p. 15.

⁵⁶ Interagency Task Force on Veterans Small Business Development, "Report to the President," p. 8.

⁵⁷ SBA, "Office of Veterans Business Development, Resources: Interagency Task Force on Veterans Small Business Development," at <https://www.sba.gov/offices/headquarters/ovbd/resources/14372>.

business owner responses to the Federal Reserve Banks' Small Business Credit Survey found that many veterans cite access to capital as one of their top challenges in starting a business. Veteran small business owners also reported greater difficulty in accessing capital than nonveteran small business owners.⁵⁸ For example, veteran small business owners reported approximately 10% lower loan approval rates than nonveteran small business owners and more financing shortfalls.⁵⁹

The study concluded that there were three possible explanations for veterans experiencing access to capital difficulties:

- *lower amounts sought/lender mismatch*—a greater share of veteran small business owners reported seeking \$100,000 or less in financing compared to nonveteran small business owners. Because it can be more costly for larger lending sources (i.e., banks) to process smaller loans due to fixed transaction costs, larger lenders tend to be less likely to approve smaller loans. Therefore, the authors argued that lower approval rates for veterans could be a mismatch in the type of lender from which financing was sought and the lender most likely to approve smaller loan amounts.
- *lower credit scores/insufficient credit history*—veteran small business owners reported lower credit scores on average and a greater rate of credit denial due to insufficient credit history and collateral. The authors noted that these findings are in line with the notion that the frequent moves and overseas travel associated with military life can hinder veterans' opportunities for building credit compared to nonveterans, and may not be indicative of their level of financial responsibility.
- *need to seek help earlier*—veteran small business owners reported that they submitted more loan applications and had lower approval rates than nonveteran small business owners. The authors noted that SBA officials, who often see veterans after they have already attempted and failed to obtain business financing, indicated that some veteran small business owners may lack understanding of or preparation for the loan application process. Those officials indicated that veteran small business owners who seek mentorship and help in understanding the credit and collateral requirements prior to applying for a loan could be better able to put together a successful loan application.⁶⁰

Veterans and SBA Loan Programs

The SBA administers several loan guaranty programs, including the 7(a) and the 504/CDC programs, to encourage lenders to provide loans to small businesses “that might not otherwise obtain financing on reasonable terms and conditions.”⁶¹ As discussed below, the SBA has several

⁵⁸ Sid Sankaran and Jessica Battisto, *Financing Their Future: Veteran Entrepreneurs and Capital Access* (Federal Reserve Bank of New York, November 2018), p. 8, at <https://www.newyorkfed.org/medialibrary/media/smallbusiness/2017/Report-on-Veteran-Entrepreneurs-and-Capital-Access.pdf>.

⁵⁹ Sid Sankaran and Jessica Battisto, *Financing Their Future: Veteran Entrepreneurs and Capital Access* (Federal Reserve Bank of New York, November 2018), p. 18.

⁶⁰ Sid Sankaran and Jessica Battisto, *Financing Their Future: Veteran Entrepreneurs and Capital Access* (Federal Reserve Bank of New York, November 2018), p. 18.

⁶¹ SBA, *Fiscal Year 2010 Congressional Budget Justification*, p. 30, at https://www.sba.gov/sites/default/files/aboutsbaarticle/Congressional_Budget_Justification_2010.pdf. Also see no credit elsewhere clause in P.L. 83-163, the Small Business Act (as amended).

policies in place to encourage veteran-owned small businesses to participate in its lending programs.

SBA's 7(a) Loan Guaranty Program

The SBA's 7(a) loan guaranty program is considered the agency's flagship loan guaranty program. Its name is derived from Section 7(a) of the Small Business Act of 1953 (P.L. 83-163, as amended), which authorizes the SBA to provide business loans to American small businesses.

The 7(a) program provides SBA-approved lenders a guaranty of up to 85% of loans of \$150,000 or less and up to 75% of loans exceeding \$150,000, up to the program's maximum gross loan amount of \$5 million (up to \$3.75 million maximum guaranty). In FY2020, the average approved 7(a) loan amount was \$520,765.⁶²

Proceeds from 7(a) loans may be used to establish a new business or to assist in the operation, acquisition, or expansion of an existing business. Specific uses include to acquire land (by purchase or lease); improve a site (e.g., grading, streets, parking lots, and landscaping); purchase, convert, expand, or renovate one or more existing buildings; construct one or more new buildings; acquire (by purchase or lease) and install fixed assets; purchase inventory, supplies, and raw materials; finance working capital; and refinance certain outstanding debts.

A 7(a) loan is required to have the shortest appropriate term, depending upon the borrower's ability to repay. The maximum term is 10 years, unless the loan finances or refinances real estate or equipment with a useful life exceeding 10 years. In that case, the loan term can be up to 25 years, including extensions. Interest rates are negotiated between the borrower and lender but are subject to maximum rates.⁶³

As shown in **Table 3**, the amount of veteran 7(a) loan approvals peaked in FY2015 and FY2016, and have declined somewhat since then. In FY2020, the SBA approved 43,302 7(a) loans totaling nearly \$22.6 billion, including 1,942 loans to veterans (4.6%) totaling \$690 million (3.1%). In FY2020, the average approved veteran 7(a) loan amount was \$359,242.⁶⁴

Table 3. 7(a) Loan Guaranty Program Approvals, FY2010-FY2020

(\$ in millions)

FY	Total # of 7(a) Loans Approved	Total Amount of 7(a) Loans Approved	# of Veteran 7(a) Loans Approved	Total Amount of Veteran 7(a) Loans Approved
2020	42,302	\$22,550	1,942	\$690
2019	50,907	\$23,176	2,496	\$897
2018	60,353	\$25,372	3,084	\$969
2017	62,430	\$25,447	3,300	\$984
2016	64,074	\$24,128	3,264	\$1,157
2015	63,461	\$23,584	3,109	\$1,215

⁶² SBA, "SBA Lending Statistics for Major Programs (as of 9/30/2020)," at https://www.sba.gov/sites/default/files/2020-10/WebsiteReport_asof_20200930-508.pdf (hereinafter SBA, "SBA Lending Statistics for Major Programs (as of 9/30/2020)").

⁶³ For further information and analysis concerning the SBA's 7(a) loan guaranty program, see CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*, by Robert Jay Dilger.

⁶⁴ SBA, "SBA Lending Statistics for Major Programs (as of 9/30/2020)."

FY	Total # of 7(a) Loans Approved	Total Amount of 7(a) Loans Approved	# of Veteran 7(a) Loans Approved	Total Amount of Veteran 7(a) Loans Approved
2014	52,044	\$19,191	2,101	\$605
2013	46,395	\$17,865	2,224	\$604
2012	44,376	\$15,153	2,256	\$597
2011	53,710	\$19,640	3,269	\$920
2010	47,000	\$12,406	3,201	\$615

Sources: SBA, “SBA Lending Statistics for Major Programs (as of 9/30/2014),” at http://www.sba.gov/sites/default/files/aboutsbaarticle/VWebsiteReport_asof9_30_2014.pdf; and SBA, “SBA Lending Statistics for Major Programs (as of 9/30/2020),” at https://www.sba.gov/sites/default/files/2020-10/VWebsiteReport_asof_20200930-508.pdf.

Notes: The number of 7(a) loans approved annually is typically 10% to 20% higher than the number of loans disbursed (e.g., a borrower decides not to accept the loan or a change in business ownership). The amount of 7(a) loans approved annually is typically 10% to 15% higher than the amount disbursed.

SBA’s 504/CDC Loan Guaranty Program

The SBA’s 504/CDC loan guaranty program is administered through nonprofit certified development companies (CDCs). It provides long-term fixed rate financing for major fixed assets, such as land, buildings, equipment, and machinery. Of the total project costs, a third-party lender must provide at least 50% of the financing, the CDC provides up to 40% of the financing through a 100% SBA-guaranteed debenture, and the applicant provides at least 10% of the financing. The 504/CDC program’s name is derived from Section 504 of the Small Business Investment Act of 1958 (P.L. 85-699, as amended), which provides the most recent authorization for the sale of 504/CDC debentures.⁶⁵ In FY2020, the average approved 504/CDC loan amount was \$818,497.⁶⁶

As shown in **Table 4**, the amount of veteran 504/CDC loan approvals peaked in FY2012, and, after declining somewhat for several years, increased in FY2020. In FY2020, the SBA approved 7,119 504/CDC loans totaling over \$5.8 billion, including 189 loans to veterans (2.7%) totaling \$145.1 million (2.5%). In FY2020, the average approved veteran 504/CDC loan amount was \$767,984.⁶⁷

Table 4. 504/CDC Loan Guaranty Program Approvals, FY2010-FY2020

(\$ in millions)

FY	Total # of 504/CDC Loans Approved	Total Amount of 504/CDC Loans Approved	# of Veteran 504/CDC Loans Approved	Total Amount of Veteran 504/CDC Loans Approved
2020	7,119	\$5,827	189	\$145
2019	6,099	\$4,958	128	\$87
2018	5,874	\$4,753	158	\$95
2017	6,218	\$5,014	202	\$136

⁶⁵ For further information and analysis concerning the SBA’s 504 Certified Development Company (504/CDC) loan guaranty program, see CRS Report R41184, *Small Business Administration 504/CDC Loan Guaranty Program*, by Robert Jay Dilger.

⁶⁶ SBA, “SBA Lending Statistics for Major Programs (as of 9/30/2020).”

⁶⁷ SBA, “SBA Lending Statistics for Major Programs (as of 9/30/2020).”

FY	Total # of 504/CDC Loans Approved	Total Amount of 504/CDC Loans Approved	# of Veteran 504/CDC Loans Approved	Total Amount of Veteran 504/CDC Loans Approved
2016	5,938	\$4,740	244	\$159
2015	5,787	\$4,298	254	\$155
2014	5,885	\$4,199	252	\$157
2013	7,708	\$5,227	372	\$217
2012	9,471	\$6,712	472	\$319
2011	7,983	\$4,845	411	\$248
2010	7,833	\$4,433	367	\$185

Sources: SBA, “SBA Lending Statistics for Major Programs (as of 9/30/2014),” at http://www.sba.gov/sites/default/files/aboutsbaarticle/WebsiteReport_asof9_30_2014.pdf; and SBA, “SBA Lending Statistics for Major Programs (as of 9/30/2020),” at https://www.sba.gov/sites/default/files/2020-10/WebsiteReport_asof_20200930-508.pdf.

Notes: Based on previous experience, the number of 504/CDC loans approved is typically about 4% to 5% higher than the actual number of loans disbursed (e.g., some borrowers decide not to accept the loan or there is a change in ownership); and the amount of debentures (loans) approved is typically 10% to 12% higher than the amount of debentures disbursed.

SBA’s 7(a) Loan Guaranty Subprograms and Fee Waivers

The SBA administers several 7(a) loan guaranty subprograms that offer streamlined and expedited loan procedures to encourage lenders to provide loans to specific groups of borrowers identified by the SBA as having difficulty accessing capital. In the past, the Patriot Express program (2007-2013) encouraged lenders to provide loans to veterans and their spouses. It provided loans of up to \$500,000 (with a guaranty of up to 85% of loans of \$150,000 or less and up to 75% of loans exceeding \$150,000).⁶⁸

The SBA considered the Patriot Express program a success, but some veterans’ organizations expressed concern that many veterans, especially during and immediately following the Great Recession (December 2007 to June 2009), experienced difficulty finding lenders willing to provide them Patriot Express loans.⁶⁹ In addition, GAO reported in September 2013 that with the exception of loans approved in 2007, Patriot Express loans defaulted at a higher rate than regular

⁶⁸ Eligible businesses were required to be owned and controlled (51% or more) by one or more of the following groups: veteran, active duty military participating in the military’s Transition Assistance Program, reservist or National Guard member or a spouse of any of these groups, a widowed spouse of a servicemember who died while in service, or a widowed spouse of a veteran who died of a service-connected disability. See SBA, “SOP 50 10 5(E): Lender and Development Company Loan Programs,” (effective June 1, 2012), pp. 83, 127, at [https://www.sba.gov/sites/default/files/SOP%2050%2010%205\(E\)%20\(5-16-2012\)%20clean.pdf](https://www.sba.gov/sites/default/files/SOP%2050%2010%205(E)%20(5-16-2012)%20clean.pdf). The program’s interest rates were negotiable with the lender, subject to the same maximum rate limitations as the 7(a) program, which vary depending upon the size and maturity of the loan. It also had the same fees as the 7(a) program, which also varies depending on the size and maturity of the loan.

⁶⁹ U.S. Congress, Senate Committee on Small Business and Entrepreneurship, *Assessing Federal Small Business Assistance Programs for Veterans and Reservists*, hearing, 110th Cong., 1st sess., January 31, 2007, S.Hrg. 110-209 (Washington: GPO, 2007), p. 32; U.S. Congress, House Committee on Veterans’ Affairs, Subcommittee on Economic Opportunity, *Status of Veterans Small Business*, hearing, 111th Cong., 2nd sess., April 29, 2010, House Committee on Veterans’ Affairs Serial No. 111-74 (Washington: GPO, 2010), pp. 17, 75 (hereinafter U.S. Congress, House Committee on Veterans’ Affairs, *Status of Veterans Small Business*); and SBA, “Popular SBA Patriot Express Loan Initiative Renewed for Three More Years,” December 10, 2010, at <https://www.sba.gov/content/popular-sba-patriot-express-loan-initiative-renewed-three-more-years>.

7(a) loans and loans made under the SBAExpress program (a 7(a) loan guaranty subprogram offering streamlined borrower application and lender approval procedures).⁷⁰ Over its history, the Patriot Express program disbursed 9,414 loans totaling more than \$791 million.⁷¹

On January 1, 2014, the SBA implemented a new, streamlined application process for 7(a) loans of \$350,000 or less. As part of an overall effort to streamline and simplify its loan application process, the SBA also eliminated several 7(a) subprograms, including the Patriot Express program. In anticipation of ending the Patriot Express program, the SBA announced on November 8, 2013, that it would waive the up-front, one-time loan guaranty fee for loans to a veteran or veteran's spouse under the SBAExpress program from January 1, 2014, through the end of FY2014 (called the Veterans Advantage Program).⁷²

The SBA announced that this fee waiver was part "of SBA's broader efforts to make sure that veterans have the tools they need to start and grow a business."⁷³ The Obama Administration continued this fee waiver for veterans through the end of FY2015.

During the 113th Congress, S. 2143, the Veterans Entrepreneurship Act, would have authorized and made the Veterans Advantage Program's fee waiver permanent. P.L. 113-235, the Consolidated and Further Continuing Appropriations Act, 2015, provided statutory authorization for the fee waiver for FY2015.

During the 114th Congress, P.L. 114-38, the Veterans Entrepreneurship Act of 2015, authorized and made the SBA's practice of waiving the SBAExpress loan program's one time, up-front guaranty fee for veterans (and their spouses) permanent beginning on or after October 1, 2015, except during any upcoming fiscal year for which the President's budget, submitted to Congress, includes a credit subsidy cost for the 7(a) program, in its entirety, that is above zero.⁷⁴

The SBA waived the up-front, one-time loan guaranty fee for loans to a veteran or veteran's spouse under the SBAExpress program in FY2016-FY2019, but did not do so in FY2020 because the President's FY2020 budget forecast the need for an appropriation of \$99 million for 7(a)

⁷⁰ GAO, *Patriot Express: SBA Should Evaluate the Program and Enhance Eligibility Controls*, (GA)-13-727, September 13, 2013, pp. i, 10, 16-20, 25-30, 46-49, at <http://www.gao.gov/assets/660/657793.pdf> (hereinafter GAO, *Patriot Express*).

⁷¹ SBA, Office of Congressional and Legislative Affairs, "Correspondence with the authors," February 21, 2014.

⁷² The SBAExpress program's fees are the same as the 7(a) loan program's fees. SBAExpress loans of \$150,000 or less approved in FY2014 do not have an up-front, one-time loan guaranty fee, and these loans do not have an annual, ongoing loan servicing fee. SBAExpress loans of \$150,001 to the SBAExpress limit of \$350,000, with a maturity of one year or less, have a 0.25% up-front, one-time loan guaranty fee and a 0.52% annual, ongoing loan servicing fee. SBAExpress loans of \$150,001 to the SBAExpress limit of \$350,000, with a maturity over one year have a 3.0% up-front, one-time loan guaranty fee and a 0.52% annual, ongoing loan servicing fee. To qualify for a waiver of the 3.0% up-front, one-time loan guaranty fee, the business must be 51% or more owned and controlled by an individual or individuals in one or more of the following groups: veterans (other than dishonorably discharged); service-disabled veterans; active duty military servicemembers participating in the military's Transition Assistance Program (TAP); reservists and National Guard members; current spouse of any veteran, active duty servicemember, or any reservist or National Guard member; or widowed spouse of a servicemember who died while in service or of a service-connected disability. See SBA, "SBA Announces New Measures to Help Get Small Business Loans Into the Hands of Veterans," November 8, 2013, at <https://www.sba.gov/content/sba-announces-new-measures-help-get-small-business-loans-hands-veterans>; and SBA, "Procedural Notice: SBA Veterans Advantage," December 18, 2013, at https://www.sba.gov/sites/default/files/lender_notices/5000-1299_0.pdf.

⁷³ SBA, "SBA Announces New Measures to Help Get Small Business Loans Into the Hands of Veterans," November 8, 2013, at <https://www.sba.gov/content/sba-announces-new-measures-help-get-small-business-loans-hands-veterans>.

⁷⁴ U.S. Congress, House Committee on Small Business, Veterans Entrepreneurship Act of 2015, report to accompany H.R. 2499, 114th Cong., 1st sess., June 25, 2015, H.Rept. 114-187 (Washington: GPO, 2015), p. 9. The act also increased the 7(a) program's FY2015 authorization limit to \$23.5 billion from \$18.75 billion.

credit subsidy costs in FY2020.⁷⁵ Also, the SBA did not anticipate waiving this fee in FY2021 because the President's FY2021 budget forecasts the need for an appropriation of \$15 million for 7(a) credit subsidy costs in FY2021.⁷⁶ As mentioned, P.L. 116-136, the CARES Act, among other provisions, eliminated the zero subsidy requirement to waive SBAExpress loan fees for veterans.

The SBAExpress program is designed to increase the availability of credit to small businesses by permitting lenders to use their existing documentation and procedures in return for receiving a reduced SBA guaranty on loans.⁷⁷ It provides a 50% loan guaranty on loan amounts up to \$350,000. In FY2020, the SBA approved 18,092 SBAExpress loans (42.8% of total 7(a) program loan approvals) totaling \$1.67 billion (7.4% of total 7(a) program amount approvals).⁷⁸

The SBA also waived the up-front, one-time loan guaranty fee for smaller 7(a) loans (including those to veterans) in FY2014, FY2015, FY2016, FY2017, and FY2018; and waived the annual service fee for 7(a) loans of \$150,000 or less made to small businesses located in a rural area or a HUBZone and reduce the up-front one-time guaranty fee for these loans from 2.0% to 0.6667% of the guaranteed portion of the loan in FY2019.⁷⁹

In FY2015 and FY2016, the SBA also waived 50% of the up-front, one-time loan guaranty fee on all non-SBAExpress 7(a) loans to veterans exceeding \$150,000. In FY2017, the SBA waived 50% of the up-front, one-time loan guaranty fee on all non-SBAExpress 7(a) loans to veterans of \$150,001 to \$500,000.⁸⁰ In FY2018, the SBA waived 50% of the up-front, one-time loan guaranty fee on all non-SBAExpress 7(a) loans to veterans of \$150,001 to \$350,000.⁸¹

Congressional Issues: Access

As mentioned, the SBA has indicated in both testimony at congressional hearings and in press releases that it viewed the Patriot Express program and its own overall effort to enhance veterans' access to capital as a success.⁸² For example, when the SBA announced its veterans' fee waiver for the SBAExpress program, it also announced that its lending to veteran-owned small

⁷⁵ SBA, "FY2020 Congressional Budget Justification and FY2018 Annual Performance Report," pp. 31-33, at https://www.sba.gov/sites/default/files/2019-04/SBA%20FY%202020%20Congressional%20Justification_final%20508%20%204%2023%202019.pdf.

⁷⁶ SBA, "FY2021 Congressional Budget Justification and FY2019 Annual Performance Report," p. 29, at <https://www.sba.gov/document/report—congressional-budget-justification-annual-performance-report>.

⁷⁷ SBA, "The SBA Express Pilot Program: Inspection Report," June 1998, p. 3.

⁷⁸ SBA, "SBA Lending Statistics for Major Programs (as of 9/30/2020)."

⁷⁹ SBA, "SBA Information Notice: 7(a) Fees Effective on October 1, 2018," at <https://www.sba.gov/document/information-notice-5000-180010-7a-fees-effective-october-1-2018>. The SBA waived the up-front, one-time loan guaranty fee and ongoing servicing fee for 7(a) loans of \$150,000 or less approved in FY2014, FY2015, and FY2016; waived the up-front, one-time loan guaranty fee for 7(a) loans of \$150,000 or less approved in FY2017; and waived the up-front, one-time loan guaranty fee for 7(a) loans of \$125,000 or less approved in FY2018 as a means to encourage the demand for smaller 7(a) loans.

⁸⁰ SBA, "SBA Information Notice: SBA Veterans Advantage – Renewal and Expansion of Fee Relief," September 19, 2014, at https://www.sba.gov/sites/default/files/lender_notices/5000-1319.pdf; SBA, "SBA Information Notice: SBA Veterans Advantage – Renewal and Expansion of Fee Relief," September 30, 2015, at https://www.sba.gov/sites/default/files/lender_notices/5000-1354.pdf; and SBA, "SBA Information Notice: Fees for 7(a) Loans Made to Veteran Owned Small Businesses, Effective October 1, 2016," September 28, 2016, at https://www.sba.gov/sites/default/files/lender_notices/5000-1390.pdf.

⁸¹ SBA, "SBA Information Notice: Fees for 7(a) Loans Made to Veteran Owned Small Businesses Effective October 1, 2017," at https://www.sba.gov/sites/default/files/files/Notice_5000-1955_Veteran_Fees_FY18_1.pdf.

⁸² U.S. Congress, House Committee on Veterans' Affairs, *Status of Veterans Small Business*, p. 75.

businesses had nearly doubled since 2009 and that “in FY2013, SBA supported \$1.86 billion in loans for 3,094 veteran-owned small businesses.”⁸³

Congressional testimony provided by various veteran service organizations provides a somewhat different perspective. The SBA’s self-evaluation of its success in assisting veterans access capital has focused primarily on the agency’s efforts to streamline the loan application approval process (e.g., minimizing paperwork requirements and reducing the time necessary for the SBA to review and approve applications submitted by local lenders) and aggregate lending amounts (e.g., the number and amount of loans approved). In contrast, veteran service organizations focus primarily on program outcomes, especially the likelihood of a veteran being approved for a SBA loan by a local lender. For example, a representative of the American Legion testified at a congressional hearing in 2010 that, at that time, being turned down for a SBA Patriot Express loan by a private lender “is probably the largest, most frequent complaint that we receive from our business owners.”⁸⁴ At that same congressional hearing, a representative of the Vietnam Veterans of America testified in response to that statement that “I would have to concur ... in talking with some of the veterans with regard to the Patriot Express Loan, they are having difficulties also to acquire that capital. The rationale seems to be ... the banks in general seem to be tightening the credit, their lending practices, so that is ... what we are hearing.”⁸⁵ More recently, GAO reported in 2013 that “selected loan recipients, lenders, and veteran service organizations said that a low awareness of the Patriot Express program among the military community was among the most frequently cited challenges.”⁸⁶

No empirical assessments of veterans’ experiences with either the SBA’s Patriot Express or SBAExpress loan programs exist that would be useful for determining the relative ease or difficulty for veteran-owned small business owners of accessing capital through the SBA’s loan programs. Since 2010, many lenders report that they have eased their credit standards, at least somewhat, for small business loans, suggesting the experiences of veterans seeking a SBA loan guaranty today may be improved compared with their experiences in 2010. However, GAO found in 2013 that many veterans were not fully aware of the SBA’s Patriot Express program and that “over half of the Patriot Express loan recipients, six of the eight lenders, and two veteran service organizations ... said that [the] SBA could do more to increase outreach to veteran entrepreneurs and better market the program to the military community.”⁸⁷ GAO reported that low awareness of the SBA’s Patriot Express program and the SBA’s participating lenders were a continuing challenge for the SBA.⁸⁸

One option to provide additional information concerning veterans’ experiences with the SBA’s lenders would be to survey veterans who have received a SBA guaranteed loan. The survey could include questions concerning these veterans’ views of the programs, including the application process. However, obtaining a comprehensive list of veterans to survey who have been turned down for a SBA guaranteed loan by a private lender would be difficult given privacy concerns.

In a related development concerning veterans’ access to capital, legislation was introduced during the 114th Congress (S. 1870, the Veterans Entrepreneurial Transition Act of 2015, and its House companion bill, H.R. 3248) to authorize a three-year pilot program, administered by the SBA, to

⁸³ SBA, “SBA Announces New Measures to Help Get Small Business Loans Into the Hands of Veterans,” November 8, 2013, at <https://www.sba.gov/content/sba-announces-new-measures-help-get-small-business-loans-hands-veterans>.

⁸⁴ U.S. Congress, House Committee on Veterans’ Affairs, *Status of Veterans Small Business*, p. 17.

⁸⁵ U.S. Congress, House Committee on Veterans’ Affairs, *Status of Veterans Small Business*, p. 17.

⁸⁶ GAO, *Patriot Express*, p. 33.

⁸⁷ GAO, *Patriot Express*, p. 33.

⁸⁸ GAO, *Patriot Express*, p. 33.

provide grants to no more than 250 GI-Bill benefit-eligible veterans to start or acquire a qualifying business. The grant amount would have been calculated according to a formula related to the unused portion of the recipient's GI-Bill benefits. Recipients would have been required to complete specified training and meet other program requirements, such as having an approved business plan. S. 1870 was ordered to be reported with an amendment in the nature of a substitute by the Senate Committee on Small Business and Entrepreneurship on July 29, 2015.

In addition, H.R. 5698, the Strengthening Technical Assistance, Resources, and Training to Unleash the Potential of Veterans Act of 2016 (STARTUP Vets Act of 2016), and its companion bill in the Senate, S. 2273, would have authorized the SBA to provide up to \$1.5 million in grants annually "from amounts made available to the Office of Veterans Business Development" to organizations to create and operate business incubators and accelerators that provide technical assistance and training to veterans (including their spouses and dependents) to enable them "to effectively transfer relevant skills to launch and accelerate small business concerns owned and controlled by covered individuals; and to create an avenue for high-performing covered individuals to meet and collaborate on business ideas."⁸⁹

During the 115th Congress, S. 1056, the Veteran Small Business Export Promotion Act, and H.R. 2835, To amend the Small Business Act, would have permanently waived "the guarantee fee for loans of not more than \$150,000 provided to veterans and spouses of veterans under the [SBA's] Export Working Capital, International Trade, and Export Express programs."

During the 116th Congress, S. 2138, the Small-Dollar and Veterans Loans Enhancement Act, would, to the extent that costs are offset by appropriations, authorize the elimination or reduction of fees to the maximum extent possible for SBAExpress loans to veterans and their spouses and for 7(a) loans of \$150,000 or less.

Federal Contracting Goals for Service-Disabled Veteran-Owned Small Businesses

Since 1978, federal agency heads have been required to establish federal procurement contracting goals, in consultation with the SBA, "that realistically reflect the potential of small business concerns" to participate in federal procurement. Each agency is required, at the conclusion of each fiscal year, to report its progress in meeting the goals to the SBA.⁹⁰ The SBA negotiates the goals with each federal agency and establishes a *small business eligible* baseline for evaluating the agency's performance.

The small business eligible baseline excludes certain contracts that the SBA has determined do not realistically reflect the potential for small business participation in federal procurement, such as contracts awarded to mandatory and directed sources, awarded and performed overseas, funded predominately from agency-generated sources, not covered by Federal Acquisition Regulations, and not reported in the General Services Administration's (GSA's) Federal Procurement Data System–Next Generation (FPDS-NG) database (e.g., government procurement card purchases or contracts valued less than \$10,000).⁹¹ These exclusions typically account for 18% to 20% of all federal prime contracts each year.

⁸⁹ H.R. 5698, Section 3. Incubator and accelerator grant program.

⁹⁰ P.L. 95-507, a bill to amend the Small Business Act and the Small Business Investment Act of 1958.

⁹¹ See SBA, Office of Policy, Planning & Liaison, Office of Government Contracting & Business Development, "FY

Using FPDS-NG data, which are published in the GSA’s annual Small Business Goaling Report, the SBA evaluates the agencies’ performance against their negotiated goals and presents the results in the SBA’s annual Small Business Procurement Scorecards. Each agency that fails to achieve any proposed prime or subcontract goal is required to submit a justification to the SBA on why it failed to achieve a proposed or negotiated goal, with a proposed plan of corrective action.⁹²

Over the years, federal government-wide procurement contracting goals have been established for small businesses generally (P.L. 100-656, the Business Opportunity Development Reform Act of 1988, and P.L. 105-135, the HUBZone Act of 1997—Title VI of the Small Business Reauthorization Act of 1997); small businesses owned and controlled by socially and economically disadvantaged individuals (P.L. 100-656); women (P.L. 103-355, the Federal Acquisition Streamlining Act of 1994); small businesses located within a Historically Underutilized Business Zone, or HUBZone (P.L. 105-135); and small businesses owned and controlled by a service-disabled veteran (P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999).

The current federal small business contracting goals are

- at least 23% of the total value of all small business eligible prime contract awards to small businesses for each fiscal year;
- 5% of the total value of all small business eligible prime contract awards and subcontract awards to small disadvantaged businesses for each fiscal year;
- 5% of the total value of all small business eligible prime contract awards and subcontract awards to women-owned small businesses;
- 3% of the total value of all small business eligible prime contract awards and subcontract awards to HUBZone small businesses; and
- 3% of the total value of all small business eligible prime contract awards and subcontract awards to service-disabled veteran-owned small businesses.⁹³

There are no punitive consequences for not meeting the small business procurement goals. However, the SBA’s Small Business Procurement Scorecards and GSA’s Small Business Goaling Report are distributed widely, receive media attention, and heighten public awareness of the issue of small business contracting. For example, agency performance as reported in the SBA’s Small Business Procurement Scorecards is often cited by Members during their questioning of federal agency witnesses during congressional hearings.

As shown in **Table 5**, the *FY2019 Small Business Goaling Report* indicates that federal agencies met the federal contracting goal for small businesses generally, small disadvantaged businesses, women-owned small businesses, and service-disabled veteran-owned small businesses in FY2019. **Table 5** also provides, for comparative purposes, the percentage of total reported federal contracts (without exclusions) awarded to those small businesses in FY2019.

2018 Goaling Guidelines,” August 30, 2017, p. 4, at https://www.sba.gov/sites/default/files/2018-06/FY18_Small_Business_Goaling_Guidelines.pdf; and U.S. General Services Administration (GSA), Federal Procurement Data System—Next Generation, “What’s In FPDS-NG,” at https://www.fpds.gov/wiki/index.php/FPDS-NG_FAQ.

⁹² SBA, Office of Policy, Planning & Liaison, Office of Government Contracting & Business Development, “FY 2018 Goaling Guidelines,” August 30, 2017, p. 6, at https://www.sba.gov/sites/default/files/2018-06/FY18_Small_Business_Goaling_Guidelines.pdf.

⁹³ 15 U.S.C. §644(g)(1)-(2).

Table 5. Federal Contracting Goals and Percentage of FY2019 Federal Contract Dollars Awarded to Small Businesses, by Type

Business Type	Federal Goal	Percentage of Federal Contracts (small business eligible)	Percentage of Federal Contracts (all reported contracts)
Small Businesses	23.0%	25.82%	22.21%
Small Disadvantaged Businesses	5.0%	10.13%	8.69%
Women-Owned Small Businesses	5.0%	5.04%	4.32%
HUBZone Small Businesses	3.0%	2.23%	1.95%
Service-Disabled Veteran-Owned Small Businesses	3.0%	4.34%	4.00%

Sources: SBA, “Statutory Guidelines,” at <https://www.sba.gov/content/statutory-guidelines-0> (federal goals); U.S. General Services Administration, Federal Procurement Data System—Next Generation, “Small Business Goaling Report: Fiscal Year 2019,” at https://www.fpds.gov/downloads/top_requests/FPDSNG_SB_Goaling_FY_2019.pdf; and U.S. General Services Administration, Federal Procurement Data System—Next Generation, at <https://www.fpds.gov/fpdsng/> (contract dollars).

Notes: The Small Business Goaling Report for FY2019 was made available online on August 12, 2020. The report does not indicate when the data were generated. The report indicates that small business eligible contracts totaled \$501.58 billion and that \$129.5 billion was awarded to small businesses, \$50.8 billion to small disadvantaged businesses, \$25.3 billion to women-owned small businesses, \$11.2 billion to SBA-certified HUBZone small businesses, and \$21.8 billion to service-disabled veteran-owned small businesses. The percentages provided in the column for all reported contracts in FY2019 were calculated using FPDS-NG data as reported on August 12, 2020: \$589.5 billion in total contracts; \$131.0 billion to small businesses, \$51.3 billion to small disadvantaged businesses, \$25.5 billion to women-owned small businesses, \$11.5 billion to SBA-certified HUBZone small businesses, and \$23.6 billion to service-disabled veteran-owned small businesses.

In a related development, on November 17, 2015, the House passed H.R. 1694, the Fairness to Veterans for Infrastructure Investment Act of 2015. The bill would have revised the requirement that 10% of the award of contracts for federal-aid highway, federal public transportation, and highway safety research and development programs be set-aside for small businesses owned and controlled by socially and economically disadvantaged individuals. The bill would have required the set-aside to include veteran-owned small businesses.

In another related development, the U.S. Supreme Court’s decision in *Kingdomware Technologies, Inc. v. United States* (decided on June 16, 2016) requiring the VA to grant VOSBs certain preferences when awarding procurement contracts could result in the VA awarding additional contracts to VOSBs.

In addition, the prevention of fraud in federal small business contracting programs, and in the SBA’s loan programs as well, has been a priority for both Congress and the SBA for many years, primarily because reports of fraud in these programs emerge with some regularity.⁹⁴ Of particular

⁹⁴ For example, see GAO, *Small Business Administration: Undercover Tests Show HUBZone Program Remains Vulnerable to Fraud and Abuse*, GAO-10-920T, July 28, 2010, at <http://www.gao.gov/assets/130/125130.pdf>; GAO, *8(a) Program: Fourteen Ineligible Firms Received \$325 Million in Sole-Source and Set-Aside Contracts*, GAO-10-425, March 30, 2010, at <http://www.gao.gov/assets/310/302472.pdf>; GAO, *Service-Disabled Veteran-Owned Small Business Program: Case Studies Show Fraud and Abuse Allowed Ineligible Firms to Obtain Millions of Dollars in Contracts*, GAO-10-108, October 23, 2009, at <http://www.gao.gov/products/GAO-10-108>; and GAO, *Service-Disabled Veteran-Owned Small Business Program: Vulnerability to Fraud and Abuse Remains*, GAO-12-697, August 1, 2012, at <http://www.gao.gov/assets/600/593238.pdf>.

interest to veterans, GAO has found that “the lack of an effective government-wide fraud-prevention program” has left the service-disabled veteran-owned small business program “vulnerable to fraud and abuse.”⁹⁵

Under the Small Business Act, a small business owned and controlled by a service-disabled veteran can qualify for a federal government procurement set-aside (a procurement in which only certain businesses may compete) or a sole-source award (awards proposed or made after soliciting and negotiating with only one source) if the small business is at least 51% unconditionally and directly owned and controlled by one or more service-disabled veteran.⁹⁶ A veteran is defined as a person who has served “in the active military, naval, or air service, and who was discharged or released under conditions other than dishonorable.”⁹⁷ A disability is service related when it “was incurred or aggravated ... in [the] line of duty in the active military, naval, or air service.”⁹⁸

Federal agencies may set aside procurements for service-disabled veteran-owned small businesses only if the contracting officer reasonably expects that offers will be received from at least two responsible small businesses and the award will be made at a fair market price (commonly known as the “rule of two” because of the focus on there being at least two small businesses involved).⁹⁹

Federal agencies may award sole contracts to service-disabled veteran-owned small businesses when (1) the contracting officer does not reasonably expect that two or more service-disabled veteran-owned small businesses will submit offers; (2) the anticipated award will not exceed \$4.0 million (\$6.5 million for manufacturing contracts); and (3) the award can be made at a fair and reasonable price.¹⁰⁰ Otherwise, sole-source awards may only be made to service-disabled veteran-owned small businesses under other authority, such as the Competition in Contracting Act.¹⁰¹ Service-disabled veteran-owned small businesses are not eligible for price evaluation preferences in unrestricted competitions.

The VA is statutorily required to establish annual goals for the awarding of VA contracts to both service-disabled veteran-owned small businesses and small businesses owned by other veterans.¹⁰² The VA is authorized to use “other than competitive procedures” in meeting these goals. For example, it may award any contract whose value is below the simplified acquisition threshold (generally \$250,000) to a veteran-owned business on a sole-source basis, and it may also make sole-source awards of contracts whose value (including options) is between \$250,000

⁹⁵ GAO, *Service-Disabled Veteran-Owned Small Business Program: Preliminary Information on Actions Taken by Agencies to Address Fraud and Abuse and Remaining Vulnerabilities*, GAO-11-589T, July 28, 2011, p. 3, at <http://www.gao.gov/products/GAO-11-589T>.

⁹⁶ 15 U.S.C. §632(q)(1) & (4); P.L. 108-183, the Veterans Benefits Act of 2003; and P.L. 109-461, the Veterans Benefits, Health Care, and Information Technology Act of 2006.

⁹⁷ 38 U.S.C. §101(2).

⁹⁸ 38 U.S.C. §101(16).

⁹⁹ 15 U.S.C. §657f(b).

¹⁰⁰ 15 U.S.C. §657f(a)(1)-(3) (statutory requirements); and 48 C.F.R. §19.1406(a) (increasing the price thresholds).

¹⁰¹ 10 U.S.C. §2304(c)(1)-(7) (procurements of defense agencies); and 41 U.S.C. §3304(a)(1)-(7) (procurements of civilian agencies). *See also* 48 C.F.R. §§6.302-1 to 6.302-7.

¹⁰² P.L. 109-461 and P.L. 110-389, the Veterans’ Benefits Improvements Act of 2008. In FY2019, the Department of Veterans Affairs’ small business procurement goals are 29.6% for small businesses generally, 17.0% for veteran-owned small businesses, 15.0% for service-disabled veteran-owned small businesses, 5.0% for small disadvantaged businesses (including Section 8(a)), 5.0% for women-owned small businesses, and 3.0% for Historically Underutilized Business Zone (HUBZone) small businesses. *See* The Department of Veterans Affairs, “Small Business Program Goals and Accomplishments,” at <https://www.va.gov/osdbu/library/accomplishments.asp>.

and \$5 million, provided that certain conditions are met. When these conditions are not met, the VA is generally required to set aside the contract for service-disabled or other veteran-owned small businesses.

Service-disabled veteran-owned small businesses can generally self-certify as to their eligibility for contracting preferences available under the Small Business Act.¹⁰³ However, in an effort to address fraud in VA contracting, veteran-owned and service-disabled veteran-owned small businesses must be listed in the VA's VetBiz database and have their eligibility verified by the VA to be eligible for preferences in certain VA contracts.¹⁰⁴

Businesses that fraudulently misrepresent their size or status have long been subject to civil and criminal penalties under Section 16 of the Small Business Act; SBA regulations implementing Section 16; and other provisions of law, such as the False Claims Act, Fraud and False Statements Act, Program Fraud Civil Remedies Act, and Contract Disputes Act.¹⁰⁵

Several bills were introduced during the 112th Congress to address fraud in small business contracting programs in various ways. Of particular interest to veterans, S. 3572, the Restoring Tax and Regulatory Certainty to Small Businesses Act of 2012, and S. 633, the Small Business Contracting Fraud Prevention Act of 2011, would have, among other changes, amended Section 16 of the Small Business Act to expressly include service-disabled veteran-owned small businesses among the types of small businesses subject to penalties for fraud under that section.¹⁰⁶ The bills would also have required service-disabled veteran-owned small businesses to register in the VA's VetBiz database, or any successor database, and have their status verified by the VA to be eligible for contracting preferences for service-disabled veteran-owned small businesses under the Small Business Act.

During the 113th Congress, S. 2334, the Improving Opportunities for Service-Disabled Veteran-Owned Small Businesses Act of 2013, and its companion bill in the House, H.R. 2882, and H.R. 4435, the Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, which was passed by the House on May 22, 2014, included a provision that would have authorized the transfer of the VetBiz database's administration and the verification of service-disabled veteran owned small businesses from the VA to the SBA.

Advocates of requiring service-disabled veteran-owned small businesses to register in the VetBiz database and have their status verified by the VA (or the SBA) to be eligible for contracting preferences under the Small Business Act argue that doing so would reduce fraud.¹⁰⁷ As then-

¹⁰³ 13 C.F.R. §125.15.

¹⁰⁴ 38 U.S.C. §8127(a)(1)(A). P.L. 109-461 requires the Secretary of Veterans Affairs to "establish a goal for each fiscal year for participation in Department contracts (including subcontracts)" by veteran-owned small businesses. The Secretary is also required to establish a separate goal for the participation of service-disabled veteran-owned small businesses in agency contracts and subcontracts. 38 U.S.C. §8127(a)(1)(A). However, the latter goal can be no less than the government-wide goal for the percentage of contract and subcontract dollars awarded to service-disabled veteran-owned small businesses given in Section 15(g)(1) of the Small Business Act (currently 3%), while the former goal is within the Secretary's discretion. *See* 38 U.S.C. §8127(a)(2)-(3).

¹⁰⁵ *See* 15 U.S.C. §645; and 13 C.F.R. §125.29.

¹⁰⁶ Currently, Section 36 of the Small Business Act, which governs set-asides and sole-source awards for service-disabled veteran-owned small businesses, provides that "[r]ules similar to the rules of paragraphs (5) and (6) of Section 637(m) of this title shall apply for purposes of this section." Section 8(m) governs set-asides for women-owned small businesses and itself provides that such businesses are subject to penalties for fraud under Section 16. Thus, an argument could potentially be made that service-disabled veteran-owned small businesses are currently subject to penalties under Section 16 even if they are not expressly included there.

¹⁰⁷ *See* 13 C.F.R. §§125.9-125.13.

Senator Snowe stated on the Senate floor when she introduced S. 633, “Our legislation attempts to remedy the spate of illegitimate firms siphoning away contracts from the rightful businesses trying to compete within the SBA’s contracting programs.”¹⁰⁸

Others worry that requiring service-disabled veteran-owned small businesses to register in the VetBiz database and have their status verified by the VA (or the SBA) to be eligible for contracting preferences under the Small Business Act may add to the paperwork burdens of small businesses. They seek alternative ways to address the need to reduce fraud in federal small business procurement programs that do not increase the paperwork requirements of small businesses.¹⁰⁹ Still others note that the effectiveness of any change to prevent fraud in veteran-owned and service-disabled veteran-owned small business procurement programs largely depends upon how the change is implemented. For example, in July 2011, the VA’s Office of Inspector General concluded that the VA’s implementation of its veteran-owned and service-disabled veteran-owned small business procurement fraud prevention programs needed improvement:

We project that VA awarded ineligible businesses at least 1,400 VOSB [Veteran Owned Small Business] and SDVOSB [Service-Disabled Veteran Owned Small Business] contracts valued at \$500 million annually and that it will award about \$2.5 billion in VOSB and SDVOSB contracts to ineligible businesses over the next 5 years if it does not strengthen oversight and verification procedures. VA and the Office of Small and Disadvantaged Business Utilization (OSDBU) need to improve contracting officer oversight, document reviews, completion of site visits for “high-risk” businesses, and the accuracy of VetBiz Vendor Information Pages information.¹¹⁰

As mentioned, P.L. 116-283, the National Defense Authorization Act for Fiscal Year 2021, included a provision that requires the verification of SDVOSBs to be transferred from the VA to the SBA within two years of enactment (VA will continue to verify the individual’s status as a veteran or a service-disabled veteran and the SBA will verify that the business is small). In addition, SDVOSBs will no longer be allowed to self-certify their status when bidding on a federal contract with a SDVOSB contracting preference (e.g., a set-aside or sole source contract). Instead, they will have to be SBA-certified prior to the contract’s approval.

The Military Reservist Economic Injury Disaster Loan Program

P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, signed into law on August 17, 1999, authorized the SBA’s Military Reservist Economic Injury Disaster Loan (MREIDL) program. The SBA published the final rule establishing the program in the *Federal Register* on July 25, 2001, with an effective date of August 24, 2001.¹¹¹

¹⁰⁸ Senator Olympia Snowe, “Statements on Introduced Bills and Joint Resolutions,” remarks in the Senate, *Congressional Record*, vol. 157, part no. 41 (March 17, 2011), p. S1843.

¹⁰⁹ U.S. Congress, House Committee on Oversight and Government Reform, Subcommittee on Technology, Information Policy, Intergovernmental Relations and Procurement Reform, *Jobs for Wounded Warriors: Increasing Access to Contracts for Service Disabled Veterans*, 112th Cong., 2nd sess., February 7, 2012, Serial No. 112-143 (Washington: GPO, 2012), pp. 86-90.

¹¹⁰ U.S. Department of Veterans Affairs, Office of Inspector General, “Audit of Veteran-Owned and Service-Disabled Veteran-Owned Small Business Programs,” July 25, 2011, p. i, at <http://www.va.gov/oig/52/reports/2011/VAOIG-10-02436-234.pdf>.

¹¹¹ SBA, “Military Reservist Economic Injury Disaster Loans,” 66 *Federal Register* 38528-38531, July 25, 2001.

The Senate Committee on Small Business provided, in its committee report on the Veterans Entrepreneurship and Small Business Development Act of 1999, the following reasons for supporting the authorization of the MREIDL Program:

During and after the Persian Gulf War in the early 1990's, the Committee heard from reservists whose businesses were harmed, severely crippled, or even lost, by their absence. Problems faced by reservists called to active duty and their small businesses were of a varied nature and included cash-flow problems, difficulties with training an appropriate alternate manager on very short notice to run the business during the period of service, lost clientele upon return, and on occasion, bankruptcy. These hardships can occur during a period of national emergency or during a period of contingency operation when troops are deployed overseas.

To help such reservists and their small businesses, the Committee seeks to provide credit and management assistance to small businesses when an essential employee (i.e., an owner, manager or vital member of the business' staff) is a reservist called to active duty. The Committee believes that financial assistance in the form of loans, loan deferrals and managerial guidance are effective ways to minimize the adverse financial demands of the call to active duty. They not only ameliorate financial difficulties but also strengthen small businesses.¹¹²

The House Committee on Small Business also supported the program's authorization, indicating in its committee report that the program

will also fulfill a long unmet need to assist our military reservists who are small business owners. Often these individuals, called to service at short notice, come back from fighting to protect our freedoms only to find their businesses in shambles. H.R. 1568 will establish loan deferrals, technical and managerial assistance, and loan programs for these citizen soldiers so that while they risk their lives they need not risk their livelihoods.¹¹³

As mentioned, the SBA provides direct loans for owners of businesses of all sizes, homeowners, and renters to assist their recovery from natural disasters. The SBA's MREIDL program provides disaster assistance in the form of direct loans of up to \$2 million to help small business owners who are not able to obtain credit elsewhere to (1) meet ordinary and necessary operating expenses that they could have met but are not able to meet; or (2) enable them to market, produce, or provide products or services ordinarily marketed, produced, or provided by the business that cannot be done because an essential employee (including the owner) has been called up to active duty in his or her role as a military reservist or member of the National Guard due to a period of military conflict.¹¹⁴ Under specified circumstances, the SBA may waive the \$2 million limit (e.g., the small business is in immediate danger of going out of business, is a major source of employment, employs 10% or more of the workforce within the commuting area in which the business is located).¹¹⁵

¹¹² U.S. Congress, Senate Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, report to accompany H.R. 1568, 106th Cong., 1st sess., August 4, 1999, S.Rept. 106-136 (Washington: GPO, 1999), p. 4.

¹¹³ U.S. Congress, Senate Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, report to accompany H.R. 1568, 106th Cong., 1st sess., August 4, 1999, S.Rept. 106-136 (Washington: GPO, 1999), p. 15.

¹¹⁴ SBA, "Disaster Assistance Program: SOP 50-30-7," May 13, 2011, p. 48, at <https://www.sba.gov/sites/default/files/sops/SOP%2050%2030%207.pdf>; and 13 C.F.R. §123.508. For further information and analysis concerning the SBA's disaster assistance loan program, see CRS Report R41309, *The SBA Disaster Loan Program: Overview and Possible Issues for Congress*, by Bruce R. Lindsay.

¹¹⁵ 13 C.F.R. §123.507.

P.L. 106-50 defines an essential employee as “an individual who is employed by a small business concern and whose managerial or technical expertise is critical to the successful day-to-day operations of that small business concern.”¹¹⁶ The act defines a military conflict as (1) a period of war declared by Congress; or (2) a period of national emergency declared by Congress or the President; or (3) a period of contingency operation. A contingency operation is designated by the Secretary of Defense as an operation in which our military may become involved in military actions, operations, or hostilities (peacekeeping operations).¹¹⁷

The SBA is authorized to make such disaster loans either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis. The loan term may be up to a maximum of 30 years and is determined by the SBA in accordance with the borrower’s ability to repay the loan. The loan’s interest rate is the SBA’s published interest rate for an Economic Injury Disaster Loan at the time the application for assistance is approved by the SBA. Economic Injury Disaster Loan interest rates may not exceed 4%.

The SBA is not required by law to require collateral on disaster loans. However, the SBA has established collateral requirements for disaster loans based on “a balance between protection of the Agency’s interest as a creditor and as a provider of disaster assistance.”¹¹⁸ The SBA generally does not require collateral to secure a MREIDL loan of \$50,000 or less. Larger loan amounts require collateral, but the SBA will not decline a request for a MREIDL loan for a lack of collateral if the SBA is reasonably certain the borrower can repay the loan.¹¹⁹

The SBA disbursed one MREIDL loan in FY2014, none in FY2015, three in FY2016, three in FY2017, two in FY2018, two in FY2019, and two in FY2020. Since the MREIDL’s inception through September 30, 2020, the SBA has disbursed 358 MREIDL loans amounting to \$33.3 million. Of these 358 loans, 62 loans totaling \$5.9 million have been charged off (a declaration that the debt is unlikely to be collected) by the SBA.¹²⁰

Because the MREIDL program is relatively small and noncontroversial, this report does not present a discussion of the congressional issues affecting the program.

Concluding Observations

Congress has demonstrated a continuing interest in federal programs designed to assist veterans transition from military to civilian life. For example, the SBA’s veteran business development programs, loan guaranty programs, and federal procurement programs for small businesses generally, including service-disabled veteran-owned small businesses, have all been subject to congressional hearings during the past several Congresses. Also, as has been discussed, several

¹¹⁶ P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Section 402. Assistance To Active Duty Military Reservists; and 15 U.S.C. §636(b). The SBA’s Military Reservist Economic Injury Disaster Loan Program applies to economic injury suffered or likely to be suffered as the result of a period of military conflict occurring or ending on or after March 24, 1999.

¹¹⁷ P.L. 106-50, Section 402 and 15 U.S.C. §636(c).

¹¹⁸ SBA, “Disaster Assistance Program: SOP 50-30-7,” May 13, 2011, p. 152, at <https://www.sba.gov/sites/default/files/sops/SOP%2050%2030%207.pdf>.

¹¹⁹ 13 C.F.R. §123.513.

¹²⁰ SBA, Office of Congressional and Legislative Affairs, “Correspondence with the authors,” January 13, 2017, January 10, 2018, August 27, 2019, and March, 2021. In FY2011, the SBA disbursed 10 MREIDL loans amounting to \$1.15 million. In FY2012, the SBA disbursed seven MREIDL loans amounting to \$834,300. In FY2013, the SBA disbursed three MREIDL loans amounting to \$121,200.

bills have been introduced in recent Congresses to address the SBA's management of these programs and fraud.

Given the many factors that influence business success, measuring the effectiveness of the SBA's veteran assistance programs, especially the programs' effect on veteran job retention and creation, is both complicated and challenging. For example, it is difficult to determine with any degree of precision or certainty the extent to which any changes in the success of a small business result primarily from that business's participation in the SBA's programs or from changes in the broader economy. That task is made even more challenging by the absence of performance outcome measures that could serve as a guide. In most instances, the SBA uses program performance measures that focus on indicators that are primarily output related, such as the number and amount of loans approved for veteran-owned small businesses and the number and amount of federal contracts awarded to service-disabled veteran-owned small businesses.

Both GAO and the SBA's Office of Inspector General have recommended that the SBA adopt more outcome-related performance measures for the SBA's loan guaranty programs, such as tracking the number of borrowers that remain in business after receiving a SBA guaranteed loan to measure the extent to which the SBA contributed to their ability to stay in business.¹²¹ Other performance-oriented measures that Congress might also consider include requiring the SBA to survey veterans who participate in its business development programs or who have received a SBA guaranteed loan. This survey could provide information related to the difficulty the veterans experienced in obtaining a loan from the private sector, their experiences with the SBA's loan application process, and the role the SBA loan had in creating or retaining jobs. The SBA could also survey service-disabled veteran-owned small businesses that were awarded a federal contract to determine the extent to which the SBA was instrumental in their receiving the award and the extent to which the award contributed to their ability to create jobs or expand their scope of operations.

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¹²¹ GAO, *Small Business Administration: 7(a) Loan Program Needs Additional Performance Measures*, GAO-08-226T, November 1, 2007, p. 2, <http://www.gao.gov/new.items/d08226t.pdf>; and SBA, Office of the Inspector General, *SBA's Administration of the Microloan Program under the Recovery Act*, December 28, 2009, pp. 6, 7, <https://www.sba.gov/content/rom-10-10-sbas-administration-microloan-program-under-recovery-act>.

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